

**TOWNSHIP OF READINGTON**  
**HUNTERDON COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**TOWNSHIP OF READINGTON**

**HUNTERDON COUNTY**

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Township Committee  
Township of Readington  
Readington, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Readington, as of December 31, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Readington on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Readington as of December 31, 2019 and 2018, or changes in financial position, or, where applicable, cash flows for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the years ended December 31, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 48 percent and 50 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2019 and 2018.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Township of Readington as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2019 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

*Other Matters*

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Readington as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Readington.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

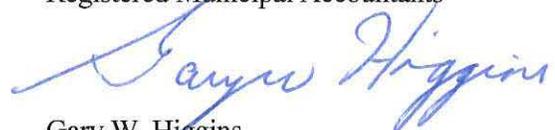
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2020 on our consideration of the Township of Readington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Readington's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Readington's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
July 21, 2020

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Regular Fund			
Cash	A-4	\$ 10,012,980	\$ 8,819,736
Cash - Change Fund	A-5	650	650
Due from State - Senior Citizens and Veterans Deductions	A-7	<u>53,145</u>	<u>88,323</u>
		<u>10,066,775</u>	<u>8,908,709</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	683,881	565,874
Tax Title Liens Receivable	A-9	117,857	114,671
Due from Federal and State Grants Fund	A-23		3,054
Due from Sewer Operating Fund	A-20		28,797
Revenue Accounts Receivable	A-10	<u>5,762</u>	<u>4,570</u>
		<u>807,500</u>	<u>716,966</u>
Deferred Charges:			
Special Emergency Authorizations	A-30	<u>500,000</u>	<u>-</u>
 Total Regular Fund		 <u>11,374,275</u>	 <u>9,625,675</u>
Grants Fund			
Grants Receivable	A-21	403,376	531,922
Due from Current Fund	A-23	<u>59,541</u>	<u>-</u>
 Total Grants Fund		 <u>462,917</u>	 <u>531,922</u>
 Total Assets		 <u>\$ 11,837,192</u>	 <u>\$ 10,157,597</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-11	\$ 771,377	\$ 805,981
Encumbrances Payable	A-12	257,745	384,722
Reserve for Revaluation	A-19	459,520	-
Reserve for Sale of Assets	A-24	6,252	6,663
Prepaid Taxes	A-13	1,553,551	533,978
Regional School Taxes Payable	A-17	3,459,271	3,459,271
Local School Taxes Payable	A-16		1,000
County Taxes Payable	A-15	39,187	41,956
Miscellaneous Fees Payable	A-18	12,094	13,153
Due to Grants Fund	A-23	59,541	
Reserve for Tax Sale Premiums	A-25	662,500	276,900
Reserve for Third Party Liens	A-26	43,404	
Reserve for Tax Appeals	A-27	308,002	308,002
Tax Overpayments	A-14	<u>106,910</u>	<u>108,154</u>
		7,739,354	5,939,780
Reserve for Receivables	A	807,500	716,966
Fund Balance	A-1	<u>2,827,421</u>	<u>2,968,929</u>
<b>Total Regular Fund</b>		<u>11,374,275</u>	<u>9,625,675</u>
<b>Grants Fund</b>			
Encumbrances Payable	A-28	2,602	38,783
Due to Current Fund	A-23		3,054
Reserve for Grants and Donations - Appropriated	A-22	<u>460,315</u>	<u>490,085</u>
<b>Total Grants Fund</b>		<u>462,917</u>	<u>531,922</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 11,837,192</u>	<u>\$ 10,157,597</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,935,000	\$ 1,852,000
Miscellaneous Revenues	A-2	3,480,476	3,406,706
Receipts from Delinquent Taxes	A-2	565,874	569,374
Receipts from Current Taxes	A-2	77,519,983	76,140,674
Non-Budget Revenues	A-2	187,441	107,353
Other Credits to Income:			
Interfunds and Other Receivables Returned	A	31,851	
Tax Sale Premiums Cancelled	A-1		38,000
Reserve for Master Plan Cancelled	A-1	-	76,514
Unexpended Balance of Appropriation Reserves	A-11	608,758	762,538
		<u>84,329,383</u>	<u>82,953,159</u>
Total Income			
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,647,970	6,403,584
Other Expenses	A-3	7,389,307	6,877,200
Capital Improvements	A-3	360,000	375,000
Municipal Debt Service	A-3	3,837,051	3,690,453
Deferred Charges and Statutory			
Expenditures	A-3	1,693,647	1,597,006
Regional School District Tax	A-17	19,277,722	19,009,477
Local District School Tax	A-16	31,174,794	30,212,810
County Tax	A-15	12,046,853	12,077,071
County Share of Added and Omitted Taxes	A-15	39,187	41,956
Local Open Space Tax	A-29	522,795	521,041
Local Open Space Added Taxes	A-29	1,704	1,809
Refund of Prior Year Revenue	A-4	7,839	2,751
Cancelled - Prior Year 100% Disabled Veterans Deductions -			
2018, 2017 and 2016	A-7	37,022	
Interfunds Established	A	-	31,851
		<u>83,035,891</u>	<u>80,842,009</u>
Total Expenditures			
Excess of Revenues over Expenditures		1,293,492	2,111,150
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-1, A-30	500,000	-
Statutory Excess to Fund Balance		1,793,492	2,111,150
<b>FUND BALANCE, JANUARY 1</b>			
	A	<u>2,968,929</u>	<u>2,709,779</u>
		4,762,421	4,820,929
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,935,000</u>	<u>1,852,000</u>
<b>FUND BALANCE, DECEMBER 31</b>	A	<u>\$ 2,827,421</u>	<u>\$ 2,968,929</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		2019			
		<u>Anticipated</u>	Added by:	2019	Excess or
	<u>Reference</u>	<u>Budget</u>	<u>NJS 40A:4-87</u>	<u>Realized</u>	<u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,935,000	-	\$ 1,935,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	19,000		22,950	\$ 3,950
Fees and Permits					
Other	A-2	178,000		208,177	30,177
Fines and Costs					
Municipal Court	A-10	88,000		109,302	21,302
Interest and Costs on Taxes	A-10	195,000		169,985	(25,015)
Interest on Investments and Deposits	A-2	125,000		199,672	74,672
Energy Receipts Tax	A-10	1,421,711		1,421,711	-
Garden State Trust Fund	A-10	3,962		3,962	-
Uniform Construction Code Fees	A-10	493,000		732,474	239,474
State and Federal Revenues Offset with Appropriations					
Drunk Driving Enforcement Fund	A-21		\$ 13,134	13,134	
Clean Communities Program	A-21		57,113	57,113	
NJ Historical Commission - Museum	A-21		7,566	7,566	
NJ Environmental Commission - ANJEC	A-21		1,500	1,500	
Distracted Driver	A-21		3,134	3,134	
Alcohol Education & Rehabilitation	A-21		3,054	3,054	
Body Armor Grant	A-21		5,023	5,023	
Somerset County Pass Thru DWI	A-21		920	920	
Other Special Items					
Sewer Utility Operating Fund Balance	A-10	125,000		125,000	-
Uniform Safety Act	A-10	32,000		40,057	8,057
General Capital Fund Balance	C-4	200,000		200,000	
Reserve for Payment of Debt	C-4	149,078		149,079	1
Reserve for Sale of Assets	A-24	6,663	-	6,663	-
Total Miscellaneous Revenues	A-1	<u>3,036,414</u>	<u>91,444</u>	<u>3,480,476</u>	<u>352,618</u>
Receipts from Delinquent Taxes	A-2	<u>565,000</u>	<u>-</u>	<u>565,874</u>	<u>874</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		2019			
		<u>Anticipated</u>			
	<u>Reference</u>	<u>Budget</u>	<u>Added by:</u> <u>NJS 40A:4-87</u>	<u>2019</u> <u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes		\$ 14,954,264	-	\$ 15,606,928	\$ 652,664
 Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>14,954,264</u>	<u>-</u>	<u>15,606,928</u>	<u>652,664</u>
 Total General Revenue	A-3	<u>\$ 20,490,678</u>	<u>\$ 91,444</u>	21,588,278	<u>\$ 1,006,156</u>
 Non-Budget Revenue	A-1,A-2			<u>187,441</u>	
				<u>\$ 21,775,719</u>	

**TOWNSHIP OF READINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 77,519,983
Allocated to		
Local School, Regional High School, County and Municipal Open Space Taxes	A-15,A-16, 17, 29	<u>63,063,055</u>
		14,456,928
Add: Appropriation for Reserve for		
Uncollected Taxes	A-3	<u>1,150,000</u>
Amount for Support of Municipal Budget		
Appropriations	A-2	<u>\$ 15,606,928</u>
Analysis of Delinquent Taxes		
Taxes Receivable	A-2, A-8	<u>\$ 565,874</u>
Fees and Permits - Other		
Township Clerk	A-10	\$ 32,706
Board of Health /Registrar of Vital Statistics	A-10	54,787
Fire Prevention	A-10	71,960
Planning and Zoning Boards	A-10	30,226
Department of Public Works	A-10	15,085
Police	A-10	<u>3,413</u>
	A-2	<u>\$ 208,177</u>
Interest on Investments		
Cash Receipts	A-10	\$ 124,819
Due from Animal Control Fund	B-7	137
Due from Other Trust Fund	B-8	1,193
Due from General Capital Fund	C-4	<u>73,523</u>
	A-2	<u>\$ 199,672</u>
Non-Budget Revenues		
Senior Citizens and Veterans Deductions Administrative Fee		\$ 2,208
Library Aid		811
Cable Franchise Fee		18,091
Tax Collector		1,443
Excess Prior Year Payroll Deductions		5,240
Return of Insurance Premiums		18,389
Police Outside Duty Administration Fees		24,437
Police Outside Duty Vehicle Use Fees		7,643
Land Lease Fees		21,033
Miscellaneous Refunds		46,823
Rental of Properties		8,040
Payments in Lieu of Taxes on Real Property		<u>33,283</u>
	A-2, A-4	<u>\$ 187,441</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019		2019 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 378,637	\$ 380,037	\$ 380,019	\$ 18	
Other Expenses					
Elections	14,000	14,000	10,502	3,498	
Miscellaneous Other Expenses	108,000	108,000	106,446	1,554	
Mayor and Committee					
Salaries and Wages	35,200	35,200	34,454	746	
Financial Administration					
Salaries and Wages	217,587	217,587	209,160	8,427	
Other Expenses	9,000	9,000	8,031	969	
Audit Services					
Other Expenses	41,500	41,500	41,500	-	
Revenue Administration					
Salaries and Wages	86,427	86,427	86,427	-	
Other Expenses	24,000	24,000	23,770	230	
Assessment of Taxes					
Salaries and Wages	90,959	90,959	90,959	-	
Other Expenses					
Revision of Tax Map	65,000	65,000	52,533	12,467	
Miscellaneous Other Expenses	6,500	6,500	5,020	1,480	
Revaluation		500,000	500,000	-	
Legal Service and Costs					
Other Expenses	500,000	585,000	550,007	34,993	
Engineering Services and Costs					
Other Expenses	230,000	230,000	154,018	75,982	
Museum Committee					
Salaries and Wages	27,044	27,044	19,660	7,384	
Other Expenses	18,000	18,000	16,776	1,224	
Historic Preservation Committee					
Other Expenses	800	800	-	800	
Planning Board					
Salaries and Wages	32,067	32,067	32,067	-	
Other Expenses	6,000	6,000	3,263	2,737	
Board of Adjustment					
Salaries and Wages	97,506	97,506	97,218	288	
Other Expenses	11,000	11,000	4,774	6,226	
Environmental Health Commission					
Salaries and Wages	1,227	1,227	1,227	-	
Other Expenses					
Consultants	115,000	115,000	93,256	21,744	
Miscellaneous Other Expenses	4,500	4,500	2,550	1,950	
Insurance					
General Liability	487,166	487,166	470,033	17,133	
Employee Group Insurance	2,122,997	1,976,097	1,786,218	189,879	
Worker's Compensation	225,400	225,400	225,400	-	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police					
Salaries and Wages	2,924,001	2,956,001	2,953,982	2,019	
Other Expenses	290,000	290,000	249,176	40,824	
Patrol of School Crossings					
Salaries and Wages	17,000	-		-	
Emergency Management Services					
Salaries and Wages	12,000	12,000	11,425	575	
Other Expenses	5,000	5,000	4,838	162	

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019		2019 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Cont'd)					
Fire					
Other Expenses					
Aid to Volunteer Fire Co.	\$ 120,000	\$ 120,000	\$ 120,000	-	
Purchase of Equipment for Volunteer Fire Co.	96,640	96,640	74,095	\$ 22,545	
Training Fire Department Personnel	16,000	16,000	16,000	-	
Uniform Fire Safety Act					
Salaries and Wages	62,766	62,766	62,766	-	
Other Expenses	39,000	39,000	34,908	4,092	
Supplemental Fire Service Program					
Other Expenses	12,500	12,500	6,937	5,563	
Aid to Volunteer Ambulance Companies					
Whitehouse First Aid Organization	30,000	30,000	30,000	-	
Purchase of Equipment for First Aid Organizations	24,160	24,160	10,309	13,851	
Municipal Prosecutors Office					
Other Expenses	52,000	52,000	48,632	3,368	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,483,720	1,516,720	1,516,501	219	
Other Expenses	406,000	406,000	374,144	31,856	
Waste Collection/Recycling					
Salaries and Wages	24,772	24,772	24,772	-	
Other Expenses	700,000	700,000	648,822	51,178	
Snow Removal					
Other Expenses	130,000	130,000	112,650	17,350	
Tree Care					
Other Expenses	30,000	30,000	26,534	3,466	
Buildings and Grounds					
Salaries and Wages	258,989	293,989	293,776	213	
Other Expenses	110,000	110,000	94,903	15,097	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	47,598	47,598	47,163	435	
Other Expenses	38,000	38,000	25,606	12,394	
Animal Control Services					
Other Expenses	5,000	5,000	5,000	-	
Administration of Public Assistance					
Salaries and Wages	73,227	73,227	71,575	1,652	
Other Expenses	2,000	2,000	1,978	22	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	141,119	141,119	129,857	11,262	
Other Expenses	40,000	40,000	29,263	10,737	
Senior Citizens Transportation					
Other Expenses	6,000	6,000	5,379	621	
Expense of Participation of Free County Library					
Salaries and Wages	132,652	132,652	130,405	2,247	
Other Expenses	8,500	8,500	5,635	2,865	
Cost of PEOSHA Requirements					
Other Expenses	55,000	55,000	35,705	19,295	

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019		2019 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries and Wages	\$ 355,672	\$ 305,672	\$ 301,608	\$ 4,064	
Other Expenses	45,000	45,000	33,085	11,915	
UTILITIES					
Fire Hydrant Service	85,000	96,000	89,133	6,867	
Electricity	132,000	132,000	130,965	1,035	
Street Lighting	40,000	40,000	35,590	4,410	
Telephone	72,000	72,000	64,325	7,675	
Fuel Oil	8,500	-	-	-	
Gasoline	118,000	143,000	141,790	1,210	
Celebration of Public Events					
Other Expenses	8,500	8,500	8,373	127	
Municipal Court					
Salaries and Wages	120,000	113,400	106,489	6,911	
Other Expenses	21,000	27,600	23,720	3,880	
Public Defender					
Other Expenses	13,000	13,000	4,311	8,689	-
Total Operations Within "CAPS"	<u>13,367,833</u>	<u>13,867,833</u>	<u>13,147,413</u>	<u>720,420</u>	<u>-</u>
Contingent	<u>3,000</u>	<u>3,000</u>	<u>1,380</u>	<u>1,620</u>	<u>-</u>
Total Operations Including Contingent Within "CAPS"	<u>13,370,833</u>	<u>13,870,833</u>	<u>13,148,793</u>	<u>722,040</u>	<u>-</u>
Detail:					
Salaries and Wages	6,620,170	6,647,970	6,601,510	46,460	
Other Expenses	6,750,663	7,222,863	6,547,283	675,580	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Social Security System (O.A.S.I.)	516,900	516,900	477,710	39,190	
Public Employees' Retirement System	457,110	457,110	457,110	-	
Police and Firemen's Retirement System	702,637	702,637	702,637	-	
Defined Contribution Retirement Contribution	12,000	12,000	11,007	993	
Unemployment Insurance	5,000	5,000	2,846	2,154	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	<u>1,693,647</u>	<u>1,693,647</u>	<u>1,651,310</u>	<u>42,337</u>	<u>-</u>
Total General Appropriations for Municipal					
Purposes Within "CAPS"	<u>15,064,480</u>	<u>15,564,480</u>	<u>14,800,103</u>	<u>764,377</u>	<u>-</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019		2019 Expended		
	<u>Appropriated</u>		<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>			
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Awards Program (LOSAP)	\$ 75,000	\$ 75,000	\$ 68,000	\$ 7,000	-
Total Other Operations Excluded from "CAPS"	<u>75,000</u>	<u>75,000</u>	<u>68,000</u>	<u>7,000</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund		13,134	13,134	-	
Clean Communities Program		57,113	57,113	-	
NJ Historical Commission - Museum		7,566	7,566	-	
Open Space - ANJEC		1,500	1,500	-	
Distracted Driver		3,134	3,134	-	
Alcohol Education & Rehabilitation		3,054	3,054	-	
Body Armor Grant		5,023	5,023	-	
Somerset County Pass Thru DWI	-	920	920	-	-
Total Public and Private Programs Offset by Revenues	<u>-</u>	<u>91,444</u>	<u>91,444</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>75,000</u>	<u>166,444</u>	<u>159,444</u>	<u>7,000</u>	<u>-</u>
Detail:					
Other Expenses	<u>75,000</u>	<u>166,444</u>	<u>159,444</u>	<u>7,000</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	160,000	160,000	160,000	-	
Road Repairs and Improvements	200,000	200,000	200,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,807,000	1,807,000	1,807,000	-	
Payment of Bond Anticipation Notes	11,888	11,888	11,888	-	
Interest on Bonds	1,514,010	1,514,010	1,514,006	-	\$ 4
Interest on Notes	271,300	271,300	271,244	-	56
Green Trust Loan Program: Loan Repayments of Principal and Interest	237,000	237,000	232,913	-	4,087
Total Municipal Debt Service Excluded from "CAPS"	<u>3,841,198</u>	<u>3,841,198</u>	<u>3,837,051</u>	<u>-</u>	<u>4,147</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019		2019 Expended		
	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 4,276,198	\$ 4,367,642	\$ 4,356,495	\$ 7,000	\$ 4,147
Subtotal General Appropriations	19,340,678	19,932,122	19,156,598	771,377	4,147
Reserve for Uncollected Taxes	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	-	-
Total General Appropriations	<u>\$ 20,490,678</u>	<u>\$ 21,082,122</u>	<u>\$ 20,306,598</u>	<u>\$ 771,377</u>	<u>\$ 4,147</u>
<u>Reference</u>	A-2		A		

**TOWNSHIP OF READINGTON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Reference</u>	<u>Budget After Modification</u>	
Budget as Adopted	A-2	\$ 20,490,678	
Added by N.J.S. 40A:4-87	A-2	91,444	
Special Emergency Appropriation	A-30	<u>500,000</u>	
		<u>\$ 21,082,122</u>	
			<u>Paid or Charged</u>
Cash Disbursed	A-4		\$ 18,995,349
Less Refunds	A-4		<u>687,940</u>
			18,307,409
Encumbrances Payable	A-12		257,745
Reserve for Revaluation	A-19		500,000
Transferred to Grants Fund	A-22		91,444
Reserve for Uncollected Taxes	A-2		<u>1,150,000</u>
			<u>\$ 20,306,598</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	\$ 6,205	\$ 12,064
		<u>6,205</u>	<u>12,064</u>
<b>OTHER TRUST FUND</b>			
Cash	B-3	<u>2,214,967</u>	<u>1,802,757</u>
		<u>2,214,967</u>	<u>1,802,757</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)</b>			
Investments	B	2,003,150	1,746,893
Intergovernmental Receivable	B	<u>68,000</u>	<u>67,200</u>
		<u>2,071,150</u>	<u>1,814,093</u>
Total Assets		<u>\$ 4,292,322</u>	<u>\$ 3,628,914</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to the State of New Jersey	B-6	\$ 109	\$ 748
Prepaid Licenses	B-5	1,187	7,487
Reserve for Animal Control Expenditures	B-4	<u>4,909</u>	<u>3,829</u>
		<u>6,205</u>	<u>12,064</u>
<b>OTHER TRUST FUND</b>			
Miscellaneous Reserves	B-10	2,214,967	1,798,671
Due to State of New Jersey - Unemployment Compensation	B-9	<u>-</u>	<u>4,086</u>
		<u>2,214,967</u>	<u>1,802,757</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)</b>			
Reserve for LOSAP Benefits	B	<u>2,071,150</u>	<u>1,814,093</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,292,322</u>	<u>\$ 3,628,914</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON  
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND**

	<u>Reference</u>	2019 Budget (Memorandum)	2019 Realized	Variance
Amount to be Raised by Taxation		\$ 522,795	\$ 524,499	\$ 1,704
		<u>\$ 522,795</u>	524,499	<u>\$ 1,704</u>
Non-Budget Revenue	<u>Reference</u>	B-2	<u>291</u>	
	B-10		<u>\$ 524,790</u>	
Analysis of Non-Budget Revenue				
Interest on Investments and Deposits	B-1		<u>\$ 291</u>	

EXHIBIT B-2

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND**

	<u>Reference</u>	2019 Budget (Memorandum)	2019 Paid or Charged	Variance
Debt Service				
Payment of Bond Principal	B-10	\$ 503,000	\$ 503,000	\$ -
Recreation and Conservation:				
Other Expenses	B-10	19,795	13,304	6,491
Down Payment on Improvements	B-10	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>
		<u>\$ 522,795</u>	<u>\$ 546,304</u>	<u>\$ (23,509)</u>
	<u>Reference</u>	B-1	B-10	

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 4,698,243	\$ 4,466,922
Deferred Charges to Future Taxation:			
Funded	C-5	40,308,350	42,838,958
Unfunded	C-6	<u>19,926,134</u>	<u>16,832,599</u>
 Total Assets		 <u>\$ 64,932,727</u>	 <u>\$ 64,138,479</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds Payable	C-10	\$ 39,791,000	\$ 42,101,000
Bond Anticipation Notes Payable	C-12	16,000,000	13,600,000
Green Acres Loans Payable	C-11	517,350	737,958
Improvement Authorizations			
Funded	C-8	1,754,942	1,821,381
Unfunded	C-8	6,291,979	3,570,674
Contracts Payable	C-9	123,939	1,132,245
Capital Improvement Fund	C-7	34,730	90,229
Reserve for Emergency Vehicles	C-13	4,240	4,240
Reserve for Road Improvements	C-14	187,250	187,250
Reserve for Green Acres Settlement	C-15	-	509,726
Reserve for Debt Service	C-16	-	149,079
Fund Balance	C-1	<u>227,297</u>	<u>234,697</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 64,932,727</u>	 <u>\$ 64,138,479</u>

There were bonds and notes authorized but not issued at December 31, 2019 and 2018 of \$4,915,211 and \$3,446,112 respectively (Exhibit C-17).

**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Fund Balance, January 1	C	\$ 234,697	\$ 539,108
Increased By:			
Cash Receipts	C-2	27,800	19,523
Premium on Sale of Bonds and Notes	C-2	<u>164,800</u>	<u>116,066</u>
		427,297	674,697
Decreased By:			
Amount Anticipated in Current Fund Budget	C-4	<u>200,000</u>	<u>440,000</u>
Fund Balance, December 31	C	<u>\$ 227,297</u>	<u>\$ 234,697</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**SEWER UTILITY OPERATING FUND**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Cash	D-4	\$ <u>783,659</u>	\$ <u>616,064</u>
		<u>783,659</u>	<u>616,064</u>
Receivables With Full Reserves Consumer Accounts Receivable	D-5	<u>99,048</u>	<u>110,893</u>
		<u>99,048</u>	<u>110,893</u>
Total Assets		<u>\$ 882,707</u>	<u>\$ 726,957</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	D-3,D-6	\$ 121,265	\$ 46,338
Accounts Payable	D-7	77,121	83,414
Sewer Overpayments	D-8	3,885	2,898
Due to Current Fund	D-9	<u>-</u>	<u>28,797</u>
		202,271	161,447
Reserve for Receivables	D	99,048	110,893
Fund Balance	D-1	<u>581,388</u>	<u>454,617</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 882,707</u>	<u>\$ 726,957</u>

**TOWNSHIP OF READINGTON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE**  
**REGULATORY BASIS - SEWER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	D-2	\$ 31,000	\$ 74,686
Rents	D-2	1,507,396	1,409,787
Miscellaneous Revenue Anticipated	D-2	13,710	15,673
User Fees from Other Contracts	D-2	314,711	344,948
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-6	<u>36,954</u>	<u>25,507</u>
Total Revenues		<u>1,903,771</u>	<u>1,870,601</u>
<b>EXPENDITURES</b>			
Operating			
Other Expenses	D-3	211,040	115,000
Service Fees	D-3	1,409,960	1,508,296
Deferred Charges and Statutory Expenditures	D-1		8,890
Surplus (General Budget)	D-3	125,000	
Refund of Sewer Capacity	D-1	<u>-</u>	<u>28,797</u>
Total Expenditures		<u>1,746,000</u>	<u>1,660,983</u>
Statutory Excess to Fund Balance		157,771	209,618
FUND BALANCE, JANUARY 1	D	<u>454,617</u>	<u>494,685</u>
		612,388	704,303
Decreased by:			
Utilized by Current Fund Budget	D-1		175,000
Utilized by Sewer Operating Budget	D-1	<u>31,000</u>	<u>74,686</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 581,388</u>	<u>\$ 454,617</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**SEWER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Reference</u>	2019 Anticipated <u>Budget</u>	2019 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	D-1	\$ 31,000	\$ 31,000	
Rents	D-1,D-5	1,405,000	1,507,396	\$ 102,396
User Fees from Other Contracts	D-1,D-4	300,000	314,711	14,711
Miscellaneous Charges	D-1,D-4	<u>10,000</u>	<u>13,710</u>	<u>3,710</u>
		<u>\$ 1,746,000</u>	<u>\$ 1,866,817</u>	<u>\$ 120,817</u>
	<u>Reference</u>	D-3		

**TOWNSHIP OF READINGTON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
SEWER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019		2019 Expended	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Other Expenses	\$ 211,040	\$ 211,040	115,623	\$ 95,417
Service Fees - RLSA	1,129,960	1,129,960	1,129,960	-
Service Fees - RTMUA	280,000	280,000	254,152	25,848
Surplus (General Budget)	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Water Utility Appropriations	<u>\$ 1,746,000</u>	<u>\$ 1,746,000</u>	<u>\$ 1,624,735</u>	<u>\$ 121,265</u>
	<u>Reference</u>	D-2	D-2	D
			<u>Paid or Charged</u>	
Cash Disbursements	Reference		\$ 1,547,614	
Accounts Payable	D-4		<u>77,121</u>	
	D-7		<u>\$ 1,624,735</u>	

**TOWNSHIP OF READINGTON  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Land and Land Improvements	\$ 30,752,309	\$ 29,555,540
Buildings and Building Improvements	7,426,120	7,348,961
Vehicles and Machinery and Equipment	<u>12,335,757</u>	<u>11,812,284</u>
	<u>\$ 50,514,186</u>	<u>\$ 48,716,785</u>
 <b>LIABILITIES</b>		
Investment in General Fixed Assets	<u>\$ 50,514,186</u>	<u>\$ 48,716,785</u>

**NOTES TO FINANCIAL STATEMENTS**

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Township of Readington (the "Township") was incorporated in 1798 and operates under an elected Mayor and Council form of government. The five Committee members are elected at-large, for staggered terms of three years. The Committee elects a Mayor and Deputy Mayor each for a term of one year. The Mayor is the Chief Executive Officer of the Township and as such presides over all public meetings and makes appointments to various boards. The Township Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Township Administrator is appointed by the Township Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Township affairs and for the day to day operations of the Township. The Township Administrator is the Chief Administrative Officer for the Township. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Township do not include the Volunteer Fire Companies and Whitehouse First Aid Organization which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**B. Description of Regulatory Basis of Accounting**

The financial statements of the Township of Readington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

The Township uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Township functions or activities. The Township also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Township has the following funds and account group:

*Current Fund* – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

*Trust Funds* - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

*Animal Control Fund* - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

*Other Trust Fund* - This fund is established to account for the assets and resources, which are held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Township as collateral.

*Length of Service Awards Program Fund (LOSAP)* – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Township.

*General Capital Fund* – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

*Sewer Utility Fund* - This fund is used to account for the revenues and expenditures for the operation of the Township's sanitary sewerage system and the assets and liabilities relative to such activities.

*General Fixed Assets Account Group* - This account group is used to account for all general fixed assets of the Township. The Township's infrastructure is not reported in the account group.

**Comparative Data** - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 presentation.

**Financial Statements – Regulatory Basis**

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Township presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Township of Readington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

**Inventories** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Township also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Township may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Miscellaneous Revenues/Receivables** - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

**Utility Revenues/Receivables** - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**Grant and Similar Award Revenues/Receivables** - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**Interfunds** - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

**Deferred Charges** – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

**Appropriation Reserves** – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**Expenditures** – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Encumbrances** - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

**Tax Appeals and Other Contingent Losses** - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Township of Readington has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

General Fixed Assets purchased after December 31, 2016 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2016 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**Use of Estimates** - The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. **Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Township is not required to adopt budgets for the following funds:

Animal Control Fund  
Other Trust (Except Open Space Reserve)  
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Township Committee increased the original Current Fund budget by \$591,444 and \$75,422, respectively. The 2018 increase was funded by additional aid allotted to the Township. The increase in 2019 was also attributable to a special emergency resolution for a revaluation of real property in the amount of \$500,000 and additional aid of \$91,444 allotted to the Township. In addition, the governing body approved several budget transfers during 2019 and 2018.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

The Township considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

- A. **Cash Deposits**

The Township's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Township is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**A. Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Township's deposits were \$17,716,704 and \$15,718,193 and bank and brokerage firm balances of the Township's deposits amounted to \$18,160,496 and \$15,691,492, respectively. The Township's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	\$ 18,160,496	\$ 15,691,492
	<u>\$ 18,160,496</u>	<u>\$ 15,691,492</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, none of the Township's bank balances were exposed to custodial credit risk.

**B. Investments**

The Township is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Township is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

As of December 31, 2019 and 2018, the Township had the following investments:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Investment:		
U.S. Government Securities		
Length of Service Awards Program	\$ 2,003,150	\$ 1,746,893

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Township does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$2,003,150 and \$1,746,893 of the Township’s investments was exposed to custodial credit risk as follows:

	<b>Fair Value (Unaudited)</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Uninsured and Uncollateralized	\$ 2,003,150	\$ 1,746,893

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Township does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Township’s investment in Lincoln National Life Insurance Company (Lincoln) was rated A1 by Moody’s Investors Services .

Concentration of Credit Risk – The Township places no limit in the amount the Township may invest in any one issuer. More than five (5) percent of the Township’s investments are in Lincoln Financial. These investments are 100% of the Township’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE**

Receivables at December 31, 2019 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<b><u>2019</u></b>			
Property Taxes	\$ 683,881		\$ 683,881
Tax Title Liens	117,857		117,857
Utility Charges and Fees	<u>-</u>	<u>\$ 99,048</u>	<u>99,048</u>
	<u>\$ 801,738</u>	<u>\$ 99,048</u>	<u>\$ 900,786</u>

In 2019, the Township collected \$565,874 and \$110,893 from delinquent taxes and utility charges and fees, which represented 83% and 100% of the delinquent tax and sewer charges receivable at December 31, 2018.

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<b><u>2018</u></b>			
Property Taxes	\$ 565,874		\$ 565,874
Tax Title Liens	114,671		114,671
Utility Charges and Fees	<u>-</u>	<u>\$ 110,893</u>	<u>110,893</u>
	<u>\$ 680,545</u>	<u>\$ 110,893</u>	<u>\$ 791,438</u>

In 2018, the Township collected \$569,374 and \$104,836 from delinquent taxes and utility charges and fees, which represented 84% and 100% of the delinquent tax and sewer charges receivable at December 31, 2017.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 5 DUE TO/FROM OTHER FUNDS**

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular		\$ 59,541	\$ 31,851	
Grants	\$ 59,541			\$ 3,054
Sewer Utility Fund:				
Operating	-	-	-	28,797
 Total	<u>\$ 59,541</u>	<u>\$ 59,541</u>	<u>\$ 31,851</u>	<u>\$ 31,851</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Township expects all interfund balances to be liquidated within one year.

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<u>2019</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 500,000</u>	<u>\$ 100,000</u>	<u>\$ 400,000</u>

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
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2018

There are none.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2019</u>		<u>2018</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,274,276	\$ 1,897,850	\$ 2,880,606	\$ 1,935,000
Non-Cash Surplus	<u>553,145</u>	<u>-</u>	<u>88,323</u>	<u>-</u>
	<u>\$ 2,827,421</u>	<u>\$ 1,897,850</u>	<u>\$ 2,968,929</u>	<u>\$ 1,935,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 581,388</u>	<u>\$ 72,392</u>	<u>\$ 454,617</u>	<u>\$ 31,000</u>
	<u>\$ 581,388</u>	<u>\$ 72,392</u>	<u>\$ 454,617</u>	<u>\$ 31,000</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2019 and 2018.

	Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<b><u>2019</u></b>				
Land and Land Improvements	\$ 29,555,540	\$ 1,196,769		\$ 30,752,309
Buildings and Building Improvements	7,348,961	77,159		7,426,120
Machinery and Equipment	<u>11,812,284</u>	<u>523,473</u>	\$ -	<u>12,335,757</u>
	<u>\$ 48,716,785</u>	<u>\$ 1,797,401</u>	<u>\$ -</u>	<u>\$ 50,514,186</u>
	Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>				
Land and Land Improvements	\$ 29,555,540			\$ 29,555,540
Buildings and Building Improvements	7,306,462	\$ 42,499		7,348,961
Machinery and Equipment	<u>11,085,890</u>	<u>767,394</u>	\$ 41,000	<u>11,812,284</u>
	<u>\$ 47,947,892</u>	<u>\$ 809,893</u>	<u>\$ 41,000</u>	<u>\$ 48,716,785</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT**

The Local Bond Law (N.J.S.A. 40A:2 et. seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Township's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds, Notes and Loans	\$ 56,308,350	\$ 56,438,958
Less Funds Temporarily Held to Pay Bonds and Notes	<u>989,077</u>	<u>362,592</u>
Net Debt Issued	55,319,273	56,076,366
Authorized But Not Issued		
General		
Bonds and Notes	<u>4,915,211</u>	<u>3,446,112</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 60,234,484</u>	<u>\$ 59,522,478</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.87% and 1.86% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2019</u></b>			
General Debt	\$ 61,223,561	\$ 989,077	\$ 60,234,484
Local School Debt	12,925,000	12,925,000	-
Regional School Debt	<u>1,406,215</u>	<u>1,406,215</u>	<u>-</u>
Total	<u>\$ 75,554,776</u>	<u>\$ 15,320,292</u>	<u>\$ 60,234,484</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2018</u></b>			
General Debt	\$ 59,885,070	\$ 362,592	\$ 59,522,478
Local School Debt	14,375,000	14,375,000	-
Regional School Debt	<u>2,080,767</u>	<u>2,080,767</u>	<u>-</u>
Total	<u>\$ 76,340,837</u>	<u>\$ 16,818,359</u>	<u>\$ 59,522,478</u>

**Statutory Borrowing Power**

The Township's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 112,525,816	\$ 112,172,520
Less: Net Debt	<u>60,234,484</u>	<u>59,522,478</u>
Remaining Borrowing Power	<u>\$ 52,291,332</u>	<u>\$ 52,650,042</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

The Township’s long-term debt consisted of the following at December 31:

**General Obligation Bonds**

The Township levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
\$11,000,000, 2011 General Improvement Bonds, due in annual installments of \$265,000 to \$470,000 through February 1, 2021, interest at 5.0 %	\$ 735,000	\$ 1,155,000
\$7,945,000, 2014 Refunding Bonds, due in annual installments of \$715,000 to \$960,000 through July 1, 2025, interest at 4.0% to 5.0%	5,455,000	6,170,000
\$9,573,000, 2015 General Improvement Bonds, due in annual installments of \$650,000 to \$1,000,000 through February 1, 2028, interest at 2.0% to 3.0%	7,298,000	7,923,000
\$14,184,000, 2017 General Improvement Bonds, due in annual installments of \$350,000 to \$700,000 through February 1, 2042, interest at 3.0% to 5.0 %	13,475,000	13,825,000
\$6,750,000, 2017 Refunding Bonds, due in annual installments of \$150,000 to \$865,000 through February 1, 2031, interest at 3.0% to 5.0%	6,750,000	6,750,000
\$6,278,000, 2018 General Improvement Bonds, due in annual installments of \$210,000 to \$400,000 through March 1, 2038, interest at 3.0% to 5.0%	<u>6,078,000</u>	<u>6,278,000</u>
Total	<u>\$ 39,791,000</u>	<u>\$ 42,101,000</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**General Intergovernmental Loans Payable**

The Township has entered into various loan agreements with the State of New Jersey for the financing relating to the acquisition of various properties and infrastructure improvements. The Township levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
\$1,000,000, 2002 "Incentive" Loan, due in semi-annual installments of \$31,828 to \$32,147 through 2020, interest at 2.00%	\$ 63,975	\$ 126,689
\$500,000, 2001 "Summer Road Park" Loan, due in semi-annual installments of \$14,939 to \$15,392 through 2021, interest at 1.00%	60,659	90,095
\$1,271,572, 2001 "NJ Infrastructure-Dreahook Road " Loan, due in semi-annual installments of \$768 to \$83,120 through 2021, interest at variable rate	162,137	240,629
\$285,829, 2003 "NJ Infrastructure-2003 " Loan, due in semi-annual installments of \$196 to \$14,044 through 2023, interest at variable rate	56,941	72,182
\$672,696, 2004 "NJ Infrastructure-2004" Loan, due in semi-annual installments of \$414 to \$44,382 through 2024, interest at variable rate	<u>173,638</u>	<u>208,363</u>
Total	<u>\$ 517,350</u>	<u>\$ 737,958</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

The Township's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

Calendar Year	General				Total
	Bonds		Loans		
	Principal	Interest	Principal	Interest	
2020	\$ 2,395,000	\$ 1,430,256	\$ 219,647	\$ 10,063	\$ 4,054,966
2021	2,465,000	1,345,656	161,769	5,610	3,978,035
2022	2,550,000	1,255,731	45,933	2,050	3,853,714
2023	2,630,000	1,156,656	59,050	1,313	3,847,019
2024	2,710,000	1,053,906	30,951	437	3,795,294
2025-2029	12,813,000	3,545,620			16,358,620
2030-2034	7,035,000	1,643,911			8,678,911
2035-2039	5,093,000	762,444			5,855,444
2040-2042	2,100,000	112,250	-	-	2,212,250
Total	<u>\$ 39,791,000</u>	<u>\$ 12,306,430</u>	<u>\$ 517,350</u>	<u>\$ 19,473</u>	<u>\$ 52,634,253</u>

**Changes in Long-Term Municipal Debt**

The Township's long-term capital debt activity for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, 2019	Additions	Reductions	Balance, December 31, 2019	Due Within One Year
<b>2019</b>					
General Capital Fund					
Bonds Payable	\$ 42,101,000	\$ -	\$ 2,310,000	\$ 39,791,000	\$ 2,395,000
Intergovernmental Loans Payable	737,958	-	220,608	517,350	219,647
General Capital Fund Long-Term Liabilities	<u>\$ 42,838,958</u>	<u>\$ -</u>	<u>\$ 2,530,608</u>	<u>\$ 40,308,350</u>	<u>\$ 2,614,647</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
General Capital Fund					
Bonds Payable	\$ 37,882,000	\$ 6,278,000	\$ 2,059,000	\$ 42,101,000	\$ 2,310,000
Intergovernmental Loans Payable	<u>1,105,544</u>	<u>-</u>	<u>367,586</u>	<u>737,958</u>	<u>220,608</u>
General Capital Fund Long-Term Liabilities	<u>\$ 38,987,544</u>	<u>\$ 6,278,000</u>	<u>\$ 2,426,586</u>	<u>\$ 42,838,958</u>	<u>\$ 2,530,608</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Township's short-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

**Bond Anticipation Notes**

<u>2019</u>	<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2019</u>
Acquisition of Property	09-22	2.00%	1/29/2019	\$ 660,074		\$ 660,074		
		3.00%	1/28/2020		\$ 631,605			\$ 631,605
Acquisition of Property	09-23	2.00%	1/29/2019	1,406,411		1,406,411		
		3.00%	1/28/2020		1,406,411			1,406,411
COAH Property	09-31	2.00%	1/29/2019	66,621		66,621		
		3.00%	1/28/2020		63,371			63,371
Acquisition of Property	12-29	2.00%	1/29/2019	72,026		72,026		
		3.00%	1/28/2020					-
Acquisition of Property	14-21	2.00%	1/29/2019	401,609		401,609		
		3.00%	1/28/2020		396,468			396,468
Various Improvements	15-4	2.00%	1/29/2019	2,139,219		2,139,219		
		3.00%	1/28/2020		2,135,722			2,135,722
Various Improvements	16-4	2.00%	1/29/2019	1,608,118		1,608,118		
		3.00%	1/28/2020		1,488,118			1,488,118
Various Improvements	17-07	2.00%	1/29/2019	1,666,300		1,666,300		
		3.00%	1/28/2020		1,666,300			1,666,300
Reacquire Available Sewer Capacity	17-08	2.00%	1/29/2019	1,400,000		1,400,000		
		3.00%	1/28/2020		1,400,000			1,400,000
Reacquire Available Sewer Capacity	17-09	2.00%	1/29/2019	3,420,000		3,420,000		
		3.00%	1/28/2020		3,420,000			3,420,000
Acquisition of Property - Affordable Housing	17-12	2.00%	1/29/2019	759,622		759,622		
		3.00%	1/28/2020		840,000			840,000
Affordable Housing	18-1	3.00%	1/28/2020		74,750			74,750
Various Improvements	18-5	3.00%	1/28/2020		1,725,200			1,725,200
Market to Affordable Housing Program	18-10	3.00%	1/28/2020		752,055			752,055
					-			-
					<u>\$ 13,600,000</u>	<u>\$ 16,000,000</u>	<u>\$ 13,600,000</u>	<u>\$ 16,000,000</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

	<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<b>2018</b>								
Acquisition of Property		06-04	2.25%	2/1/2018	\$ 6,278,000		\$ 6,278,000	
Acquisition of Property		09-22	2.25%	2/1/2018	660,074		660,074	
			2.00%	1/29/2019		\$ 660,074		\$ 660,074
Acquisition of Property		09-23	2.25%	2/1/2018	1,406,413		1,406,413	
			2.00%	1/29/2019		1,406,411		1,406,411
COAH Property		09-31	2.25%	2/1/2018	66,621		66,621	
			2.00%	1/29/2019		66,621		66,621
Acquisition of Property		12-29	2.25%	2/1/2018	72,026		72,026	
			2.00%	1/29/2019		72,026		72,026
Acquisition of Property		14-21	2.25%	2/1/2018	406,750		406,750	
			2.00%	1/29/2019		401,609		401,609
Various Improvements		15-4	2.25%	2/1/2018	2,279,998		2,279,998	
			2.00%	1/29/2019		2,139,219		2,139,219
Various Improvements		16-4	2.25%	2/1/2018	1,608,118		1,608,118	
			2.00%	1/29/2019		1,608,118		1,608,118
Various Improvements		17-07	2.00%	1/29/2019		1,666,300		1,666,300
Reacquire Available Sewer Capacity		17-08	2.00%	1/29/2019		1,400,000		1,400,000
Reacquire Available Sewer Capacity		17-09	2.00%	1/29/2019		3,420,000		3,420,000
Acquisition of Property - Oak and Blue Sky		17-12	2.00%	1/29/2019	-	759,622	-	759,622
					<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>	<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, the Township had the following commitments and unfinished capital projects:

<u>2019</u> <u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
Professional Appraisal Services - Revaluation	\$ 409,296	2020
2019 Road Reclamation Project	22,078	2020
Mason Dump Truck with Snow Plow and Sander	73,139	2020
<u>2018</u> <u>Capital Project</u>		
Road Repaving	747,078	2019
Van Horne Road Resurfacing	243,050	2019
Renovate Basketball Court at Summer Road Park	135,420	2019

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$538,761 and \$496,493 at December 31, 2019 and 2018, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**Changes in Other Long-Term Liabilities**

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Township's changes in other long-term liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
Compensated Absences	\$ 496,493	\$ 42,268		\$ 538,761	
Net Pension Liability - PERS	9,028,045		\$ 1,498,503	7,529,542	
Net Pension Liability - PFRS	9,725,222	-	934,693	8,790,529	-
Net OPEB Obligation	16,942,821	-	2,649,549	14,293,272	-
 Total Other Long-Term Liabilities	 <u>\$ 36,192,581</u>	 <u>\$ 42,268</u>	 <u>\$ 5,082,745</u>	 <u>\$ 31,152,104</u>	 <u>\$ -</u>
	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences	\$ 475,405	\$ 21,088		\$ 496,493	
Net Pension Liability - PERS	11,030,360		\$ 2,002,315	9,028,045	
Net Pension Liability - PFRS	11,044,791	-	1,319,569	9,725,222	-
Net OPEB Obligation	22,183,388	-	5,240,567	16,942,821	
 Total Other Long-Term Liabilities	 <u>\$ 44,733,944</u>	 <u>\$ 21,088</u>	 <u>\$ 8,562,451</u>	 <u>\$ 36,192,581</u>	 <u>\$ -</u>

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Township employees who are eligible for pension coverage.

**Police and Firemen’s Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

**Public Employees’ Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Township employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2018 and 2017 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee’s annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Township for 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, the Township, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2019	\$ 456,080	\$ 702,637	\$ 11,007
2018	438,967	633,165	11,736
2017	389,699	562,780	9,410

In addition for the years ended December 31, 2019, 2018 and 2017 the Township contributed for long-term disability insurance premiums (LTDI) \$1,030, \$2,974 and \$910, respectively for PERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2019 and 2018, the Township reported a liability of \$7,529,542 and \$9,028,045, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Township’s proportionate share of the net pension liability was based on the ratio of the Township’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Township’s proportionate share was 0.04178 percent, which was a decrease of 0.00367 percent from its proportionate share measured as of June 30, 2018 of 0.04545 percent.

**TOWNSHIP OF READINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the years ended December 31, 2019 and 2018, the pension system has determined the Township’s pension expense to be \$236,050 and \$561,560, respectively, for PERS based on the actuarial valuations which is less than the 2019 actual contribution and more than the 2018 actual contribution reported in the Township’s financial statements of \$456,080 and \$438,697, respectively. At December 31, 2019 and 2018, the Township’s deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Township’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 135,145	\$ 33,262	\$ 172,166	\$ 46,552
Changes of Assumptions	751,852	2,613,480	1,487,672	2,886,689
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		118,857		84,683
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>438,581</u>	<u>1,133,509</u>	<u>678,165</u>	<u>568,106</u>
Total	<u>\$ 1,325,578</u>	<u>\$ 3,899,108</u>	<u>\$ 2,338,003</u>	<u>\$ 3,586,030</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (353,260)
2021	(854,321)
2022	(800,951)
2023	(502,416)
2024	(62,582)
Thereafter	<u>-</u>
	<u>\$ (2,573,530)</u>

**TOWNSHIP OF READINGTON  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Township’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00%	1.65-4.15%
	Based on Years of Service	Based on Age
Thereafter	3.00%-7.00%	2.65%-5.15%
	Based on Years of Service	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

**Discount Rate (Continued)**

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

\* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of Net Pension Liability**

The following presents the Township's proportionate share of the PERS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Township's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

	<b>1% Decrease (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
<b><u>2019</u></b>			
Township's Proportionate Share of the PERS Net Pension Liability	\$ <u>9,511,035</u>	\$ <u>7,529,542</u>	\$ <u>5,859,853</u>
	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
<b><u>2018</u></b>			
Township's Proportionate Share of the PERS Net Pension Liability	\$ <u>11,351,726</u>	\$ <u>9,028,045</u>	\$ <u>7,078,625</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Township's net pension liability was not provided by the pension system.

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS) (Continued)**

*Pension Plan Fiduciary Net Position*

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Police and Firemen’s Retirement System (PFRS)**

At December 31, 2019 and 2018, the Township reported a liability of \$8,790,529 and \$9,725,222, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Township’s proportionate share of the net pension liability was based on the ratio of the Township’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Township’s proportionate share was 0.07183 percent, which was a decrease of 0.00004 percent from its proportionate share measured as of June 30, 2018 of 0.07187 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Township pension expense to be \$1,032,239 and \$995,254, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Township’s financial statements of \$702,637 and \$633,165, respectively. At December 31, 2019 and 2018, the Township’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Township’s financial statements are from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 74,203	\$ 55,654	\$ 98,941	\$ 40,245
Changes of Assumptions	301,211	2,841,018	834,779	2,492,406
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		119,109		53,206
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>385,506</u>	<u>5,177</u>	<u>626,471</u>	<u>-</u>
Total	<u>\$ 760,920</u>	<u>\$ 3,020,958</u>	<u>\$ 1,560,191</u>	<u>\$ 2,585,857</u>

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (262,533)
2021	(821,835)
2022	(639,311)
2023	(342,724)
2024	(193,635)
Thereafter	<u>-</u>
	<u>\$ (2,260,038)</u>

***Actuarial Assumptions***

The Township’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<b><u>PFRS</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

*Discount Rate*

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Police and Firemen’s Retirement System (PFRS) (Continued)**

**Discount Rate (Continued)**

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

\* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of Net Pension Liability**

The following presents the Township’s proportionate share of the PFRS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, respectively, as well as what the Township’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

<u>2019</u>	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 11,881,592</u>	<u>\$ 8,790,529</u>	<u>\$ 6,232,229</u>
	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
<u>2018</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 13,016,003</u>	<u>\$ 9,725,222</u>	<u>\$ 7,010,927</u>

The sensitivity analysis was based on the proportionate share of the Township’s net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Township’s net pension liability was not provided by the pension system.

**TOWNSHIP OF READINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Police and Firemen's Retirement System (PFRS) (Continued)**

***Special Funding Situation – PFRS***

Under N.J.S.A. 43:16A-15, the Township is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Township by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Township's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$1,388,041 and \$1,321,011, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$161,279 and \$156,472, respectively, which are more than the actual contributions the State made on behalf of the Township of \$93,525 and \$78,236, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Township was 0.07183 percent, which was a decrease of 0.0004 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of 0.07187 percent. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

***Pension Plan Fiduciary Net Position***

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Township.

**Plan Description and Benefits Provided**

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

**State Health Benefit Program Fund – Local Government Retired (the Plan)** (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Measurement Focus and Basis of Accounting**

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Collective Net OPEB Liability**

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2019 and 2018 is \$13.5 billion and \$15.7 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% and 1.97%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018.

**- Actuarial Methods and Assumptions**

In the June 30, 2018 and 2017 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contribution**

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$346.4 million and \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million and \$53.5 million for fiscal years 2019 and 2018, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Township's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2019, 2018 and 2017 were \$483,303, \$754,186 and \$714,734, respectively, which equaled the required contributions for each year.

**TOWNSHIP OF READINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019 and 2018, the Township reported a liability of \$14,293,272 and \$16,942,821, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The Township’s proportionate share of the net OPEB liability was based on the ratio of the Township’s proportionate share of the OPEB liability attributable to the Township at June 30, 2019 and 2018 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019 and 2018, respectively. As of the measurement date of June 30, 2019 the Township’s proportionate share was 0.105516 percent, which was a decrease of 0.002630 percent from its proportionate share measured as of June 30, 2018 of 0.108146 percent.

For the years ended December 31, 2019 and 2018, the Plan has determined the Township’s OPEB expense (benefit) to be \$(558,908) and \$308,252, respectively, based on the actuarial valuations which are less than the actual contributions reported in the Township’s financial statements of \$483,303 and \$754,186, respectively. At December 31, 2019 and 2018, the Township’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Township’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 4,179,910		\$ 3,439,997
Changes of Assumptions		5,065,218		4,297,768
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 11,774		\$ 8,954	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	-	2,310,969	-	2,136,669
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 11,774</u>	<u>\$ 11,556,097</u>	<u>\$ 8,954</u>	<u>\$ 9,874,434</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (1,934,662)
2021	(1,934,664)
2022	(1,935,614)
2023	(1,937,138)
2024	(1,938,463)
Thereafter	<u>(1,863,782)</u>
	<u>\$ (11,544,323)</u>

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)**

*Actuarial Assumptions*

The Township’s total OPEB liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
PERS:		
Initial Fiscal Year Applied Through	2026	2026
Rate	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%
PFRS:		
Initial Fiscal Year Applied Through	Rate for All Future Years	2026
Rate	3.25% to 15.25%	1.65% to 8.98%
Rate Thereafter	Not Applicable	2.65% to 9.98%
Mortality		
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
PFRS	Pub-2010 Safety Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	2.00%	1.00%

\*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the plan upon retirement.

***Long-Term Expected Rate of Return***

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00% and 1.00% as of June 30, 2019 and 2018, respectively.

**Discount Rate**

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<b>Calendar Year</b>	<b>Measurement Date</b>	<b>Discount Rate</b>
2019	June 30, 2019	3.50%
2018	June 30, 2018	3.87%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Sensitivity of Net OPEB Liability to Changes in the Discounts Rate*

The following presents the Township's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the discount rate of 3.50% and 3.87%, respectively, as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.50% and 2.87%, respectively or 1-percentage-point higher 4.50% and 4.87%, respectively than the current rate:

<b><u>2019</u></b>	<b>1% Decrease <u>(2.50%)</u></b>	<b>Current Discount Rate <u>(3.50%)</u></b>	<b>1% Increase <u>(4.50%)</u></b>
Township's Proportionate Share of the Net OPEB Liability	\$ <u>16,526,658</u>	\$ <u>14,293,272</u>	\$ <u>12,478,350</u>
<b><u>2018</u></b>	<b>1% Decrease <u>(2.87%)</u></b>	<b>Current Discount Rate <u>(3.87%)</u></b>	<b>1% Increase <u>(4.87%)</u></b>
Township's Proportionate Share of the Net OPEB Liability	\$ <u>19,878,408</u>	\$ <u>16,942,821</u>	\$ <u>14,597,951</u>

The sensitivity analysis was based on the proportionate share of the Township's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Township's net OPEB liability was not provided by the Plan.

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the Township's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<b><u>2019</u></b>	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Township's Proportionate Share of the Net OPEB Liability	\$ <u>12,061,760</u>	\$ <u>14,293,272</u>	\$ <u>17,139,941</u>
<b><u>2018</u></b>	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Township's Proportionate Share of the Net OPEB Liability	\$ <u>14,133,029</u>	\$ <u>16,942,821</u>	\$ <u>20,579,109</u>

The sensitivity analysis was based on the proportionate share of the Township's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Township's net OPEB liability was not provided by the pension system.

**TOWNSHIP OF READINGTON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 14 RISK MANAGEMENT**

The Township is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Township has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Township should they occur.

The Township of Readington is a member of the Public Alliance Insurance Coverage Joint Insurance Fund (PAIC) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker’s compensation. The Funds are risk-sharing public entity pools. The PAIC and MEL coverage amounts are on file with the Township.

The relationship between the Township and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit’s governing body. The Township is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund’s Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Employer/Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 8,959	\$ 877	\$ 59,002
2018	9,099	19,702	50,920
2017	17,151	1,658	61,523

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 15 CONTINGENT LIABILITIES**

The Township is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Township's Attorney, the potential claims against the Township not covered by insurance policies would not materially affect the financial condition of the Township.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019 and 2018. Amounts claimed have not yet been determined. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated. The Township expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Township reserved \$308,002 and \$308,002, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in a succeeding years' budget, a refunding bond ordinance or from fund balance.

**Federal and State Awards** - The Township participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the grantor government. As of December 31, 2019 and 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Township.

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2019 and 2018, the Township has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

The Township of Readington Length of Service Award Program (the Plan) was created by a Township ordinance adopted on May 3, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Readington approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Company and the Whitehouse Rescue Squad, come from contributions made solely by the Township on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Township of Readington has contributed \$800 and \$800 for 2019 and 2018. The total Township contributions were \$68,000 and \$68,000 for 2019 and 2018, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Township has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

Lincoln Financial Group is the administrator of the plan. The Township's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**Reporting Requirements**

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Township perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Township's Trust Fund.

**NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Township) (the "COVID-19 Crisis"). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor's executive orders, the Township has instituted necessary precautions and procedures, so as to allow the Township to continue to provide services during this time. The Township is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Township will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Township's operations; however, such amounts, if any, could be material.

**NOTE 19 SUBSEQUENT EVENTS**

**Serial Bonds**

On April 6, 2020 the Township adopted a resolution for the issuance of \$6,121,000 General Improvement Bonds, Series 2020 for the purpose of funding various capital improvements of the Township. On April 15, 2020 the Township awarded the sale of said bonds to Robert W. Baird & Co., Inc. at interest rates of 2.00% to 4.00%. These bonds dated April 29, 2020 will mature over 21 years with the first maturity due April 1, 2021.

**TOWNSHIP OF READINGTON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 19 SUBSEQUENT EVENTS (Continued)**

**Bond Anticipation Notes**

On January 16 2020 the Township issued bond anticipation notes in the amount of \$17,015,000 to temporarily finance expenditures related to various capital projects. The Township awarded the sale of said notes to TD Securities LLC at an interest rate of 1.50%. These notes dated January 27, 2020 will mature on April 30, 2020.

On April 15, 2020 the Township issued bond anticipation notes in the amount of \$12,984,000 to temporarily finance expenditures related to various capital projects. The Township awarded the sale of said notes to TD Securities LLC at an interest rate of 1.50%. These notes dated April 29, 2020 will mature on April 29, 2021.

**Debt Authorized**

On June 15, 2020 the Township adopted a bond ordinance authorizing the issuance \$430,200 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Township has not issued nor awarded the sale of said bonds or notes.

**Settlement of Litigation**

The Township was party to litigation, *Township of Readington v. Solberg Aviation, et al* which involved a condemnation claim against Solberg Aviation Company seeking the acquisition of vacant and airport land. The Appellate Court has ruled in favor of Solberg Aviation. As a result of the Court order \$19,854,964, which had been held in escrow while the case was pending, will be returned to the Township. The Township plans to use these funds to defease all or a portion of its 2017 Bonds and 2018 Bonds which were issued in connection with this condemnation claim and will no longer be used for that purpose.

**CURRENT FUND**

**TOWNSHIP OF READINGTON  
STATEMENT OF CASH - COLLECTOR - TREASURER**

Balance, January 1, 2019		\$ 8,819,736
Increased by:		
Taxes Receivable	\$ 77,338,669	
State of NJ Senior Citizens' and Veterans' Deductions	110,406	
Miscellaneous Revenues Not Anticipated	187,441	
Revenue Accounts Receivable	2,958,437	
Petty Cash Advanced	200	
Tax Overpayments	181,873	
Prepaid Taxes	1,553,551	
Federal and State Grants Received in Current Fund	219,990	
Reserve for Sale of Assets	6,252	
Reserve for Tax Sale Premiums	620,100	
Reserve for Outside Tax Liens	355,579	
Receipts from Animal Control Fund	137	
Receipts from Other Trust Fund	1,193	
Receipts from General Capital Fund	422,602	
Receipts from Sewer Operating Fund	28,797	
Budget Refunds	687,940	
Miscellaneous Fees Payable	48,647	
	<u>84,721,814</u>	
		93,541,550
Decreased by Disbursements:		
2019 Budget Appropriations	18,995,349	
2018 Appropriation Reserves	581,945	
Tax Overpayments	82,157	
County Taxes	12,088,809	
Local District School Taxes	31,175,794	
Regional High School Taxes	19,277,722	
Municipal Open Space Taxes Payable	524,499	
Appropriated Grant Reserves Paid by Current Fund	122,784	
Reserve for Encumbrances - Grants Fund Paid by Current Fund	34,611	
Petty Cash Returned	200	
Reserve for Revaluation	40,480	
Reserve for Tax Sale Premiums	234,500	
Reserve for Outside Tax Liens	312,175	
Miscellaneous Fees Payable	49,706	
Refund of Prior Year Revenue	7,839	
	<u>83,528,570</u>	
Balance, December 31, 2019		<u>\$ 10,012,980</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2019</u>	Balance, December 31, <u>2019</u>
Tax Collector	\$ 150	\$ 150
Municipal Court	200	200
Police Department	100	100
Township Clerk/Animal Control	100	100
Department of Public Works	<u>100</u>	<u>100</u>
	<u>\$ 650</u>	<u>\$ 650</u>

**STATEMENT OF PETTY CASH**

<u>Office</u>	Advanced in <u>2019</u>	Returned in <u>2019</u>
Township Finance Department	<u>\$ 200</u>	<u>\$ 200</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE FROM STATE OF NEW JERSEY  
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2019	\$ 88,323
Increased by:	
Senior Citizens' and Veterans' Deductions Per Tax Billings - 2019	\$ 111,000
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2019	<u>1,750</u>
	<u>112,750</u>
	201,073
Decreased by:	
Received in Cash from State	110,406
Cancelled - Prior Year 100% Disabled Veterans Deductions - 2018, 2017 and 2016	37,022
Senior Citizens' and Veterans' Deductions Disallowed by Tax Collector - 2019	<u>500</u>
	<u>147,928</u>
Balance, December 31, 2019	<u>\$ 53,145</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, January 1,	Senior Citizens and Veterans Deductions Disallowed	Collected in Cash		Tax Overpayments Applied	Senior Citizens and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31,	
	2019		2019 Levy	2018		2019				2019
2018	\$ 565,874			\$ 565,874				\$ -		
2019	-	78,242,603	500	533,978	76,772,795	100,960	112,750	3,186	35,553	683,881
	<u>\$ 565,874</u>	<u>\$ 78,242,603</u>	<u>\$ 500</u>	<u>\$ 533,978</u>	<u>\$ 77,338,669</u>	<u>\$ 100,960</u>	<u>\$ 112,750</u>	<u>\$ 3,186</u>	<u>\$ 35,553</u>	<u>\$ 683,881</u>

**Analysis of 2019 Property Tax Levy**

Tax Yield	
General Purpose Tax	\$ 77,976,428
Added Taxes (54:4-63.1 et seq.)	<u>266,175</u>
	<u>\$ 78,242,603</u>
Tax Levy	
Local District School Tax (Abstract)	31,174,794
Regional High School Tax (Abstract)	19,277,722
Municipal Open Space Taxes	524,499
County Taxes	\$ 10,092,029
Duc County for Added Taxes (54:4-63.1 et seq)	39,187
County Library Taxes	990,998
County Open Space Taxes	<u>963,826</u>
	12,086,040
Local Tax for Municipal Purposes	14,954,264
Add Additional Tax Levied	<u>225,284</u>
	<u>15,179,548</u>
	<u>\$ 78,242,603</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2019	\$ 114,671
Increased by:	
Transferred from Current Year Taxes	3,186
Balance, December 31, 2019	\$ 117,857

EXHIBIT A-10

**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2019</u>	Accrued in <u>2019</u>	Collected in <u>2019</u>	Balance, December 31, <u>2019</u>
Township Clerk				
Licenses				
Alcoholic Beverages		\$ 22,950	\$ 22,950	
Fees and Permits		32,706	32,706	
Board of Health/Registrar of Vital Statistics				
Fees and Permits		54,787	54,787	
Department of Public Works				
Fees and Permits		15,085	15,085	
Fire Prevention				
Fees and Permits		71,960	71,960	
Police				
Fees and Permits		3,413	3,413	
Planning & Zoning Boards				
Fees and Permits		30,226	30,226	
Municipal Court				
Fines and Costs	\$ 4,570	110,494	109,302	\$ 5,762
Interest and Costs on Taxes		169,985	169,985	
Interest on Investments and Deposits		126,149	124,819	
Energy Receipts Taxes		1,421,711	1,421,711	
Garden State Trust Fund		3,962	3,962	
Uniform Construction Code Fees		732,474	732,474	
Sewer Utility Operating Fund Balance		125,000	125,000	
Uniform Safety Act	-	40,057	40,057	-
	<u>\$ 4,570</u>	<u>\$ 2,960,959</u>	<u>\$ 2,958,437</u>	<u>\$ 5,762</u>

TOWNSHIP OF READINGTON  
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, January 1, 2019	Encumbrances Restored	Modified Balance	Paid or Charged	Balance Lapsed
General Administration					
Salaries and Wages	\$ 1,333		\$ 1,333		\$ 1,333
Other Expenses					
Elections	1,056		1,056		1,056
Miscellaneous Other Expenses	4,388	\$ 11,238	15,626	\$ 14,605	1,021
Mayor and Committee					
Salaries and Wages	752		752		752
Financial Administration					
Salaries and Wages	13,772		13,772		13,772
Other Expenses	10,500	204	10,704	5,835	4,869
Revenue Administration					
Other Expenses	3,535	96	3,631	3,096	535
Assessment of Taxes					
Salaries and Wages			-		-
Other Expenses					
Revision of Tax Map	12,444		12,444	12,444	-
Miscellaneous Other Expenses	487	1,100	1,587	1,100	487
Legal Services and Costs					
Other Expenses	279,693	65,276	344,969	51,659	293,310
Engineering Services and Costs -					
Other Expenses	28,733	20,082	48,815	35,643	13,172
Museum Committee					
Salaries and Wages	10,457		10,457		10,457
Other Expenses	32	3,409	3,441	3,359	82
Historical Preservation					
Other Expenses	800		800		800
Planning Board					
Salaries and Wages	4,919		4,919		4,919
Other Expenses	636	523	1,159	532	627
Board of Adjustment					
Salaries and Wages	36		36		36
Other Expenses	2,064	1,835	3,899	2,003	1,896
Environmental Health Commission					
Salaries and Wages	250		250		250
Other Expenses					
Consultants	13,313	25,023	38,336	26,882	11,454
Miscellaneous Other Expenses	561		561	32	529
Police					
Salaries and Wages	48,565		48,565	48,565	-
Other Expenses	36,478	96,454	132,932	131,185	1,747
Patrol of School Crossing					
Salaries and Wages	11,900		11,900		11,900
Fire					
Equipment for Volunteer Fire Co.	68	23,574	23,642	21,893	1,749
Training Fire Department Personnel	70	740	810	810	-
Supplemental Fire Service Program					
Other Expenses	2,402		2,402	2,402	-
First Aid Equipment	7,605	9,959	17,564	17,535	29
Emergency Management					
Salaries and Wages	22		22		22
Other Expenses	237	801	1,038	801	237
Uniform Fire Safety					
Salaries and Wages	1,412		1,412		1,412
Other Expenses	467	1,650	2,117	1,650	467
Road, Repairs and Maintenance					
Salaries and Wages	138		138		138
Other Expenses	36,274	39,517	75,791	75,762	29
Snow Removal					
Other Expenses	837		837		837
Buildings and Grounds					
Salaries and Wages	64		64		64
Other Expenses	9,912	10,632	20,544	17,276	3,268
Waste Collection/Recycling					
Other Expenses	18,947	45,556	64,503	46,936	17,567
Board of Health					
Salaries and Wages	214		214		214
Other Expenses	7,012		7,012	3,833	3,179

**TOWNSHIP OF READINGTON  
STATEMENT OF 2018 APPROPRIATION RESERVES**

	Balance, January 1, <u>2019</u>	Encumbrances <u>Restored</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Administration of Public Assistance					
Salaries and Wages	\$ 426		\$ 426		\$ 426
Other Expenses	12		12		12
Animal Control Services					
Other Expenses	5,000		5,000		5,000
Recreation					
Salaries and Wages	244		244		244
Other Expenses	12,523	2,026	14,549	2,026	12,523
Senior Citizens Transportation					
Other Expenses	1,460		1,460		1,460
Expense in Participation of Free County Library					
Salaries and Wages	2,204		2,204		2,204
Other Expenses	2,339	1,602	3,941	1,797	2,144
Celebration of Public Events					
Other Expenses	529		529		529
Construction Code Official					
Salaries and Wages	5,462		5,462		5,462
Other Expenses	39,546	10,183	49,729	10,548	39,181
Utilities					
Fire Hydrant Services	6,296		6,296	6,217	79
Electricity	2,862	3,754	6,616	4,914	1,702
Street Lighting	3,015		3,015		3,015
Telephone	6,506	1,153	7,659	1,851	5,808
Gasoline	822	2,747	3,569	2,747	822
Public Defender					
Other Expenses	7,120		7,120	2,593	4,527
Cost of PEOSHA Requirement					
Other Expenses	4,633	3,849	8,482	8,482	-
Municipal Prosecutor's Office					
Other Expenses	5,288		5,288	3,848	1,440
Municipal Court					
Salaries and Wages	219		219		219
Other Expenses	286	1,739	2,025	1,491	534
Social Security System	47,859		47,859	9,593	38,266
U.S. EPA - 3196H Watershed Plan - Match			-		-
Defined Contribution Retirement Contribution	264		264		264
Unemployment	2,123		2,123		2,123
Insurance					
General Liability	3,174		3,174		3,174
Employee Group Health	71,704		71,704		71,704
Contingent	1,680	-	1,680	-	1,680
	<u>\$ 805,981</u>	<u>\$ 384,722</u>	<u>\$ 1,190,703</u>	<u>\$ 581,945</u>	<u>\$ 608,758</u>
			\$ 805,981		
Appropriation Reserves			-		
Transferred from Reserve for Encumbrances			<u>384,722</u>		
			<u>\$ 1,190,703</u>		
			Cash Disbursements	<u>\$ 581,945</u>	

**TOWNSHIP OF READINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2019	\$ 384,722
Increased by:	
Charges to 2019 Budget Appropriations	<u>257,745</u>
	642,467
Decreased by:	
Restored to Appropriation Reserves	<u>384,722</u>
Balance, December 31, 2019	<u>\$ 257,745</u>

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2019	\$ 533,978
Increased by:	
Collection - 2020 Taxes	<u>1,553,551</u>
	2,087,529
Decreased by:	
Application to 2019 Taxes Receivable	<u>533,978</u>
Balance, December 31, 2019	<u>\$ 1,553,551</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2019		\$ 108,154
Increased by:		
Cash Receipts		<u>181,873</u>
		290,027
Decreased by:		
Applied to Current Year Taxes	\$ 100,960	
Cash Disbursements	<u>82,157</u>	
		<u>183,117</u>
Balance, December 31, 2019		<u>\$ 106,910</u>

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2019		\$ 41,956
Increased by:		
2019 Tax Levy	\$ 10,092,029	
Library Taxes	990,998	
Open Space Taxes	963,826	
2019 Added Taxes (54:4-63.1 et seq.)	<u>39,187</u>	
		<u>12,086,040</u>
		12,127,996
Decreased by:		
Payments		<u>12,088,809</u>
Balance, December 31, 2019		<u>\$ 39,187</u>

**STATEMENT OF SCHOOL TAXES PAYABLE**

Balance, December 31, 2019		\$ 1,000
Increased by:		
Levy - Calendar Year		<u>31,174,794</u>
		31,175,794
Decreased by:		
Payments		<u>31,175,794</u>
Balance, December 31, 2019		<u>\$ -</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Balance, January 1, 2019	\$ 3,459,271
Increased by:	
Levy - Calendar Year	<u>19,277,722</u>
	22,736,993
Decreased by:	
Payments	<u>19,277,722</u>
Balance, December 31, 2019	<u>\$ 3,459,271</u>

**STATEMENT OF MISCELLANEOUS FEES PAYABLE**

	Balance, January 1, <u>2019</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2019</u>
Due State - Marriage License Fees	\$ 550	\$ 2,600	\$ 2,575	\$ 575
Due State - DCA Training Fees	10,428	33,647	32,556	11,519
Due County - Food Inspections	<u>2,175</u>	<u>12,400</u>	<u>14,575</u>	<u>-</u>
	<u>\$ 13,153</u>	<u>\$ 48,647</u>	<u>\$ 49,706</u>	<u>\$ 12,094</u>

**STATEMENT OF RESERVE FOR REVALUATION**

Increased by:	
Authorized in 2019	\$ 500,000
Decreased by:	
Cash Disbursements	<u>40,480</u>
Balance, December 31, 2019	<u>\$ 459,520</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF AMOUNT DUE FROM SEWER OPERATING FUND**

Balance, January 1, 2019	\$ 28,797
Increased by:	
Receipts from to Sewer Operating Fund	<u>28,797</u>
Balance, December 31, 2019	<u>\$ -</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF FEDERAL AND STATE GRANTS RECEIVABLE**  
**GRANTS FUND**

	Balance, January 1, <u>2019</u>	<u>Accrued</u>	<u>Decreased by</u> Cash Receipts Collected by <u>Current Fund</u>	Balance, December 31, <u>2019</u>
Clean Communities Program		\$ 57,113	\$ 57,113	
Somerset County Pass Thru - DWI		920	920	
Drunk Driving Enforcement Fund		13,134	13,134	
Distracted Driver		3,134	3,134	
Alcohol Education & Rehabilitation		3,054	3,054	
NJ Environmental Commission - ANJEC		1,500	1,000	\$ 500
NJ Historical Commission - Museum	\$ 1,125	7,566	2,993	5,698
391-H Grant Watershed	530,797		136,049	394,748
Body Armor Grant	-	5,023	2,593	2,430
	<u>\$ 531,922</u>	<u>\$ 91,444</u>	<u>\$ 219,990</u>	<u>\$ 403,376</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**  
**GRANTS FUND**

	Balance, January 1, <u>2019</u>	Prior Year Encumbrances <u>Cancelled</u>	Transferred from 2019 <u>Appropriations</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
Clean Communities Program			\$ 57,113	\$ 57,113	
Drunk Driving Enforcement Fund	\$ 14,050	\$ 4,172	13,134		\$ 31,356
Body Armor Grant			5,023	2,590	2,433
Alcohol Education & Rehabilitation	18,686		3,054		21,740
NJ Environmental Commission - ANJEC	800		1,500	2,300	-
NJ Historical Commission - Museum	4,500		7,566	12,066	-
Somerset County Pass Thru DWI			920	920	
Distracted Driver			3,134	3,134	-
391-H Grant Watershed	<u>452,049</u>	<u>-</u>	<u>-</u>	<u>47,263</u>	<u>404,786</u>
	<u>\$ 490,085</u>	<u>\$ 4,172</u>	<u>\$ 91,444</u>	<u>\$ 125,386</u>	<u>\$ 460,315</u>
				Cash Disbursements Paid by Current Fund	\$ 122,784
				Reserve for Encumbrances	<u>2,602</u>
					<u>\$ 125,386</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO/(FROM) CURRENT FUND  
GRANTS FUND**

Balance, January 1, 2019 (Due To)		\$ 3,054
Increased by:		
Grant Disbursements Paid by Current Fund		
Appropriated Grant Reserves	\$ 122,784	
Grant Encumbrances	<u>34,611</u>	
		<u>157,395</u>
		160,449
Decreased by:		
Grant Receipts Collected by Current Fund		<u>219,990</u>
Balance, December 31, 2019 (Due From)		<u>\$ (59,541)</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR SALE OF ASSETS**

Balance, January 1, 2019	\$ 6,663
Increased by:	
Cash Receipts	<u>6,252</u>
	12,915
Decreased by:	
Utilized as Revenue in 2019 Budget	<u>6,663</u>
Balance, December 31, 2019	<u>\$ 6,252</u>

**STATEMENT OF RESERVE FOR TAX SALE PREMIUMS**

Balance, January 1, 2019	\$ 276,900
Increased by:	
Cash Receipts	<u>620,100</u>
	897,000
Decreased by:	
Cash Disbursements	<u>234,500</u>
Balance, December 31, 2019	<u>\$ 662,500</u>

**STATEMENT OF RESERVE FOR OUTSIDE TAX LIENS**

Increased by:	
Cash Receipts	\$ 355,579
Decreased by:	
Cash Disbursements	<u>312,175</u>
Balance, December 31, 2019	<u>\$ 43,404</u>

**STATEMENT OF RESERVE FOR TAX APPEALS PENDING**

Balance, January 1, 2019	<u>\$ 308,002</u>
Balance, December 31, 2019	<u>\$ 308,002</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF ENCUMBRANCES PAYABLE  
GRANTS FUND**

Balance, January 1, 2019		\$ 38,783
Increased by:		
Charges to Appropriated Grant Reserves		<u>2,602</u>
		41,385
Decreased by:		
Cash Disbursements	\$ 34,611	
Cancelled	<u>4,172</u>	
		<u>38,783</u>
Balance, December 31, 2019		<u>\$ 2,602</u>

EXHIBIT A-29

**STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE**

Increased by:		
2019 Tax Levy	\$ 522,795	
2019 Added Taxes (54:4-63.1 et seq.)	<u>1,704</u>	
		<u>\$ 524,499</u>
Decreased by:		
Payments		<u>\$ 524,499</u>

EXHIBIT A-30

**STATEMENT OF DEFERRED CHARGES- SPECIAL EMERGENCY AUTHORIZATION**

<u>Date</u>	<u>Purpose</u>	<u>Net Amount</u>	<u>Authorized in</u>	<u>Balance</u>
<u>Authorized</u>		<u>Authorized</u>	<u>2019</u>	<u>Dec. 31,</u>
				<u>2019</u>
2/4/2019	Revaluation of Real Property	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

**TRUST FUND**

**TOWNSHIP OF READINGTON  
SCHEDULE OF TRUST CASH - TREASURER**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2019	\$ 12,064	\$ 1,802,757
Increased by Receipts:		
Miscellaneous Reserves		\$ 6,803,466
Interest Earned	\$ 137	1,193
Prepaid Dog Licenses	1,187	
Due to State of New Jersey	2,615	
Dog License Fees/Late Fees	<u>27,999</u>	-
	<u>31,938</u>	<u>6,804,659</u>
	44,002	8,607,416
Decreased by Disbursements:		
Due to State of New Jersey	3,254	4,963
Expenditures Under (RS 4:19-15.11)	34,406	
Payments to Current Fund	137	1,193
Miscellaneous Reserves	<u>-</u>	<u>6,386,293</u>
	<u>37,797</u>	<u>6,392,449</u>
Balance, December 31, 2019	<u>\$ 6,205</u>	<u>\$ 2,214,967</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES**  
**ANIMAL CONTROL FUND**

Balance, January 1, 2019		\$ 3,829
Increased by:		
Dog License Fees Collected in 2019	\$ 23,557	
Prepaid Licenses Applied	7,487	
Late Fees/Miscellaneous	<u>4,442</u>	
		<u>35,486</u>
		39,315
Decreased by:		
Cash Disbursements		<u>34,406</u>
Balance, December 31, 2019		<u>\$ 4,909</u>

**STATEMENT OF PREPAID LICENSES**  
**ANIMAL CONTROL FUND**

Balance, January 1, 2019		\$ 7,487
Increased by:		
2020 License Fees Collected		<u>1,187</u>
		8,674
Decreased by:		
Applied in 2019		<u>7,487</u>
Balance, December 31, 2019		<u>\$ 1,187</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH**  
**ANIMAL CONTROL FUND**

Balance, January 1, 2019		\$ 748
Increased by:		
State Fees Collected in 2019		<u>2,615</u>
		3,363
Decreased by:		
Payments to State of New Jersey		<u>3,254</u>
Balance, December 31, 2019		<u>\$ 109</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO CURRENT FUND  
ANIMAL CONTROL FUND**

Increased by:	
Interest Earned	\$       137
Decreased by:	
Payments to Current Fund	<u>          137</u>
Balance, December 31, 2019	<u>\$       -</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO CURRENT FUND  
OTHER TRUST FUND**

Increased by:		
Interest Earned	\$	1,193
Decreased by:		
Payments to Current Fund		<u>1,193</u>
Balance, December 31, 2019	\$	<u>-</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY - UNEMPLOYMENT COMPENSATION  
OTHER TRUST FUND**

Balance, January 1, 2019	\$	4,086
Increased by:		
Unemployment Compensation Claims		<u>877</u>
		4,963
Decreased by:		
Cash Disbursements		<u>4,963</u>
Balance, December 31, 2019	\$	<u>-</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT MISCELLANEOUS RESERVES - OTHER TRUST FUND**

	Balance, January 1, <u>2019</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2019</u>
Open Space	\$ 36,131	\$ 524,790	\$ 546,304	\$ 14,617
Unemployment	50,920	8,959	877	59,002
General:				
Police Escrow	31,746	205,331	199,114	37,963
Public Defender	10,700	11,616	14,348	7,968
Parking Offenses Adjudication Act	74	-	-	74
Library	15,729	2,000	1,266	16,463
Museum	54,079	2,906	1,000	55,985
Board of Health Escrow	220,946	41,608	17,318	245,236
Housing:				
Deposits	241,936	262,463	192,161	312,238
COAH	2,007	1	36	1,972
Developers Escrow	886,058	720,823	435,274	1,171,607
Recreation	43,548	581,291	533,993	90,846
Driveway Apron/Maintenance	146,204	10,136	6,256	150,084
Payroll Deduction	57,346	4,419,790	4,428,326	48,810
Flexible Spending	1,226	11,752	10,897	2,081
Forfeited Funds	21	-	-	21
	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
Total	<u>\$ 1,798,671</u>	<u>\$ 6,803,466</u>	<u>\$ 6,387,170</u>	<u>\$ 2,214,967</u>

Cash Receipts	\$ 6,803,466	
Cash Disbursements		\$ 6,386,293
Amount Due to State of New Jersey	<u>-</u>	<u>877</u>
	<u>\$ 6,803,466</u>	<u>\$ 6,387,170</u>

**GENERAL CAPITAL FUND**

**TOWNSHIP OF READINGTON**  
**STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, January 1, 2019		\$ 4,466,922
Increased by Receipts:		
Bond Anticipation Notes	\$ 2,632,383	
Capital Improvement Fund - Budget Appropriation	160,000	
Capital Improvement Fund - County Reimbursement	20,275	
Cash Receipts - Deferred Charges Unfunded	989,077	
Premium on Sale of Bonds and Notes	164,800	
Receipts from Housing Trust Fund	110,000	
Receipts from Open Space Trust Fund	30,000	
Cash Receipts - Fund Balance	27,800	
Interest Earned	<u>73,523</u>	
		<u>4,207,858</u>
		8,674,780
Decreased by Disbursements:		
Bond Anticipation Notes	220,495	
Improvement Authorizations	2,387,632	
Contracts Payable	945,808	
Payments to Current Fund	<u>422,602</u>	
		<u>3,976,537</u>
Balance, December 31, 2019		<u>\$ 4,698,243</u>

**TOWNSHIP OF READINGTON  
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2019</u>
Fund Balance	\$ 227,297
Capital Improvement Fund	34,730
Contracts Payable	123,939
Reserve for Emergency Vehicles	4,240
Reserve for Road Improvements	187,250
Excess Note Proceeds - Ordinance 17-09	989,077
Improvement <u>Authorizations:</u>	
03-24/04-27 Acquisition of Property - O'Urso	(805,224)
05-21/06-33 Various Capital Improvements	67,375
05-22/14-19 Various Capital Improvements	784,080
06-41 Various Capital Improvements	5,767
09-23 Acquisition of Property	(2)
14-11 Various Capital Improvements	463,839
15-10 Acquisition of Affordable Housing Unit	135,000
16-4 Various Capital Improvements	81,205
17-09 Acquisition of Sewer Capacity	1,784,420
17-10 Acquisition of Property	153,000
17-12 Acquisition of Property - Affordable Housing	14,627
18-1 Acquisition of Property - Affordable Housing	15,241
18-5 Various Improvements	229,100
18-10 Market to Affordable Program	724,664
18-18 Acquisition of Affordable Housing Unit	5,000
19-06 Deed Restrictions	4,486
19-09 Various Capital Improvements	(667,263)
19-14 Acquisition of Property	2,186
19-20 Acquisition of Fire Truck	35,000
19-23 Saums Property	<u>99,209</u>
	 <u>\$ 4,698,243</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF DUE TO CURRENT FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2019		\$ -
Increased by:		
Fund Balance Anticipated as Current Fund Revenue	\$ 200,000	
Reserve for Debt Service Anticipated as Current Fund Revenue	149,079	
Interest Earned	<u>73,523</u>	
		<u>422,602</u>
		422,602
Decreased By:		
Payments to Current Fund		<u>422,602</u>
Balance, December 31, 2019		<u>\$ -</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED  
GENERAL CAPITAL FUND**

Balance, January 1, 2019		\$ 42,838,958
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	\$ 2,310,000	
Loans Paid	<u>220,608</u>	
		<u>2,530,608</u>
Balance, December 31, 2019		<u>\$ 40,308,350</u>



**TOWNSHIP OF READINGTON  
STATEMENT OF CAPITAL IMPROVEMENT FUND  
GENERAL CAPITAL FUND**

Balance, January 1, 2019		\$ 90,229
Increased by:		
Budget Appropriation - Capital Improvement Fund	\$ 160,000	
Reimbursement - County Share	<u>20,275</u>	
		<u>180,275</u>
		270,504
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>235,774</u>
Balance, December 31, 2019		<u>\$ 34,730</u>

TOWNSHIP OF READINGTON  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord No.	Improvement Description	2019 Authorizations										
		Balance, January 1, 2019		Capital Improvement Fund	Reserve for Housing Trust	Reserve for Green Acres	Reserve for Open Space Trust	Deferred Charges Unfunded	Prior Year Encumbrances Cancelled	Expended	Balance, December 31, 2019	
		Funded	Unfunded	Fund	Housing Trust	Acres	Trust	Unfunded	Cancelled	Expended	Funded	Unfunded
05-21/06-33	Various Capital Improvements	\$ 88,405								\$ 21,030	\$ 67,375	
05-22/14-19	Various Capital Improvements	826,972	\$ 558							42,892	784,080	\$ 558
06-41	Various Capital Improvements	28,895								23,128	5,767	
14-11	Various Capital Improvements	576,208								112,369	463,839	
15-10	Acquisition of Affordable Housing Unit	135,000									135,000	
16-04	Various Capital Improvements		123,002							34,815		88,187
17-07	Various Capital Improvements		358,738							358,738		-
17-09	Acquisition of Sewer Capacity		1,784,420									1,784,420
17-10	Acquisition of Property	153,000									153,000	
17-12	Acquisition of Property - Affordable Housing		486,052							471,425		14,627
17-15	Acquisition of Property - Affordable Housing		-									
18-1	Acquisition of Property - Affordable Housing		15,241									15,241
18-5	Various Improvements		42,663						\$ 186,437			229,100
18-10/19-11	Market to Affordable Program	7,901	760,000							35,292		732,609
18-18	Acquisition of Affordable Housing Unit	5,000	-	-	-					-	5,000	-
19-06	Deed Restrictions				\$ 110,000					105,514	4,486	
19-09	Various Capital Improvements			\$ 75,000				\$ 1,425,000		742,263		757,737
19-14	Acquisition of Property			20,274		\$ 509,726	\$ 30,000			557,814	2,186	
19-20	Acquisition of Fire Truck			35,000				665,000			35,000	665,000
19-23	Saums Property			105,500				2,004,500			99,209	2,004,500
		\$ 1,821,381	\$ 3,570,674	\$ 235,774	\$ 110,000	\$ 509,726	\$ 30,000	\$ 4,094,500	\$ 186,437	\$ 2,511,571	\$ 1,754,942	\$ 6,291,979

Cash Disbursements \$ 2,387,632  
 Contracts Payable 123,939  
\$ 2,511,571

Capital Fund Balance  
 Due to Housing Trust Fund  
 Deferred Charges to Future Taxation - Unfunded

**TOWNSHIP OF READINGTON  
STATEMENT OF CONTRACTS PAYABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2019		\$ 1,132,245
Increased by:		
Charges to Improvement Authorizations		<u>123,939</u>
		1,256,184
Decreased by:		
Cash Disbursements	\$ 945,808	
Cancelled	<u>186,437</u>	
		<u>1,132,245</u>
Balance, December 31, 2019		<u>\$ 123,939</u>



**TOWNSHIP OF READINGTON  
STATEMENT OF NEW JERSEY GREEN ACRES LOAN PAYABLE  
GENERAL CAPITAL FUND**

Balance, January 1, 2019	\$ 737,958
Decreased by:	
Loans Paid by Budget Appropriation	<u>220,608</u>
Balance, December 31, 2019	<u>\$ 517,350</u>

**Analysis of Balance**

Incentive	63,975
Summer Road Park	60,659
N.J. Infrastructure:	
Dreahook Road	162,137
2003	56,941
2004	<u>173,638</u>
	<u>\$ 517,350</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE  
GENERAL CAPITAL FUND**

Ord. No.	Improvement Description	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance			Balance, December 31, 2019
							January 1, 2019	Increased	Decreased	
09-22	Acquisition of Property	3,624,000	10/9/2009	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	\$ 660,074	\$ 631,605	\$ 660,074	\$ 631,605
09-23	Acquisition of Property	3,876,000	10/9/2009	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	1,406,411	1,406,411	1,406,411	1,406,411
09-31	COAH Property	225,661	2/3/2010	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	66,621	63,371	66,621	63,371
12-29	Acquisition of Property	169,186	1/31/2013	1/30/2018	1/29/2019	2.00%	72,026		72,026	
14-21	Acquisition of Property	406,120	11/17/2014	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	401,609	396,468	401,609	396,468
15-4	Various Improvements	2,210,332	2/3/2016	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	2,139,219	2,135,722	2,139,219	2,135,722
16-4	Various Improvements	1,608,118	2/3/2016	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	1,608,118	1,488,118	1,608,118	1,488,118
17-07	Various Improvements	1,666,300	1/30/2018	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	1,666,300	1,666,300	1,666,300	-
17-08	Reacquire Available Sewer Capacity	1,400,000	1/30/2018	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	1,400,000	1,400,000	1,400,000	-
17-09	Reacquire Available Sewer Capacity	3,420,000	1/30/2018	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	3,420,000	3,420,000	3,420,000	-
17-12	Acquisition of Property - Affordable Housing	759,622	1/30/2018	1/30/2018 1/28/2019	1/29/2019 1/28/2020	2.00% 3.00%	759,622	840,000	759,622	-
18-1	Acquisition of Property - Affordable Housing	74,750	1/28/2019	1/28/2019	1/28/2020	3.00%		74,750		74,750
18-5	Various Improvements	1,725,200	1/28/2019	1/28/2019	1/28/2020	3.00%		1,725,200		1,725,200
18-10	Market to Affordable Housing Program	752,055	1/28/2019	1/28/2019	1/28/2020	3.00%	-	752,055	-	752,055
							<u>\$ 13,600,000</u>	<u>\$ 16,000,000</u>	<u>\$ 13,600,000</u>	<u>\$ 16,000,000</u>
								\$ 2,632,383		
								13,367,617	\$ 13,367,617	
									11,888	
									6,982	
									213,513	
							<u>\$ 16,000,000</u>	<u>\$ 13,600,000</u>		

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR EMERGENCY VEHICLES  
GENERAL CAPITAL FUND**

Balance, January 1, 2019	\$ <u>4,240</u>
Balance, December 31, 2019	\$ <u>4,240</u>

**STATEMENT OF RESERVE FOR ROAD IMPROVEMENTS  
GENERAL CAPITAL FUND**

Balance, January 1, 2019	\$ <u>187,250</u>
Balance, December 31, 2019	\$ <u>187,250</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR GREEN ACRES SETTLEMENT  
GENERAL CAPITAL FUND**

Balance, January 1, 2019	\$ 509,726
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>509,726</u>
Balance, December 31, 2019	<u>\$ -</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF RESERVE FOR DEBT SERVICE  
GENERAL CAPITAL FUND**

Balance, January 1, 2019	\$ 149,079
Decreased by:	
Amount Anticipated in Current Fund Budget	<u>149,079</u>
Balance, December 31, 2019	<u>\$ -</u>

**TOWNSHIP OF READINGTON**  
**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**  
**GENERAL CAPITAL FUND**

Ord. No. or Date	Improvement Description	Balance, January 1, 2019	2019 Authorizations	ABNI Reinstated	Notes Issued	Balance, December 31, 2019
	<u>General Improvements:</u>					
03-24/04-27	Acquisition of Property - O'Urso	\$ 805,224				\$ 805,224
09-23	Acquisition of Property	2				2
05-22/14-19	Various Sewer Improvements	558				558
16-4	Various Improvements			\$ 6,982		6,982
17-12	Acquisition of Property - Oaks and Blue Sky	80,378			\$ 80,378	-
18-1	Acquisition of Affordable Housing Units	74,750			74,750	-
18-5	Various Improvements	1,725,200			1,725,200	-
18-10	Market Affordable Housing	760,000	-	-	752,055	7,945
19-09	Various Capital Improvements		\$ 1,425,000			1,425,000
19-20	Acquisition of Fire Truck		665,000			665,000
19-23	Saums Property	-	2,004,500	-	-	2,004,500
		<u>\$ 3,446,112</u>	<u>\$ 4,094,500</u>	<u>\$ 6,982</u>	<u>\$2,632,383</u>	<u>\$ 4,915,211</u>

**SEWER UTILITY FUND**

**TOWNSHIP OF READINGTON  
STATEMENT OF CASH**

		<u>Operating</u>
Balance, January 1, 2019		\$ 616,064
Increased by Receipts:		
Sewer Rents	\$ 1,504,498	
User Fees from Other Contracts	314,711	
Miscellaneous	13,710	
Sewer Overpayments	<u>3,885</u>	
		<u>1,836,804</u>
		2,452,868
Decreased by Disbursements:		
2019 Budget Appropriations	1,547,614	
2018 Appropriation Reserves	92,798	
Payments to Current Fund	<u>28,797</u>	
		<u>1,669,209</u>
Balance, December 31, 2019		<u>\$ 783,659</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2019			\$ 110,893
Increased by:			
Billings			<u>1,495,551</u>
			1,606,444
Decreased by:			
Sewer Overpayments Applied	\$	2,898	
Collections		<u>1,504,498</u>	
			<u>1,507,396</u>
Balance, December 31, 2019			<u>\$ 99,048</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF 2018 APPROPRIATION RESERVES  
SEWER UTILITY OPERATING FUND**

	Balance, January 1, <u>2019</u>	Prior Year Accounts Payable <u>Restored</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Other Expenses	\$ 16,539	\$ 7,054	16,438	\$ 7,155
Service Fees - RTMUA	<u>29,799</u>	<u>76,360</u>	<u>76,360</u>	<u>29,799</u>
 Total Water Utility Appropriation Reserves	 <u>\$ 46,338</u>	 <u>\$ 83,414</u>	 <u>\$ 92,798</u>	 <u>\$ 36,954</u>
		Cash Disbursements	<u>\$ 92,798</u>	

EXHIBIT D-7

**STATEMENT OF ACCOUNTS PAYABLE  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 83,414
Increased by:	
Charges to 2019 Budget	<u>77,121</u>
	160,535
Decreased by:	
Restored to 2019 Appropriation Reserves	<u>83,414</u>
Balance, December 31, 2019	<u>\$ 77,121</u>

EXHIBIT D-8

**STATEMENT OF SEWER OVERPAYMENTS  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 2,898
Increased by:	
Cash Receipts	<u>3,885</u>
	6,783
Decreased by:	
Applied to Consumer Accounts Receivable	<u>2,898</u>
Balance, December 31, 2019	<u>\$ 3,885</u>

**TOWNSHIP OF READINGTON  
STATEMENT OF AMOUNT DUE TO CURRENT FUND  
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2019	\$ 28,797
Decreased by:	
Payments Current Fund	<u>28,797</u>
Balance, December 31, 2019	<u>\$ -</u>

**TOWNSHIP OF READINGTON**  
**PART II**  
**GOVERNMENTAL AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Township Committee  
Township of Readington  
Readington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Township of Readington, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 21, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Readington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of Readington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Readington's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Readington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2019-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Township of Readington in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

## Township of Readington's Responses to Findings

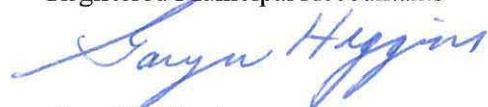
The Township of Readington's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Township of Readington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Readington's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Readington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
July 21, 2020

**TOWNSHIP OF READINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Federal CFDA Number	Original Grant Award Amount	Current Year Grant Receipt	Grant Year	Balance, January 1, 2019	Revenue Realized	Expenditures	Prior Year Adjustment	Balance, December 31, 2019	Cumulative Expended
U.S. Department of Highway Traffic Safety Distracted Driver	20.616	3,134	3,134	2019		\$ 3,134	\$ 3,134			3,134
U.S. Environmental Protection Agency Performance Partnership Grant - 391H Grant Watershed	66.605	650,000	136,049	2017	\$ 452,049		47,263		\$ 404,786	245,214
					-	-	-	-	-	
					<u>\$ 452,049</u>	<u>\$ 3,134</u>	<u>\$ 50,397</u>	<u>\$ -</u>	<u>\$ 404,786</u>	

Note - This schedule was not subject to an audit in accordance with U.S. Uniform Guidance

**TOWNSHIP OF READINGTON  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Grant Number</u>	<u>State Grant Program</u>	<u>Grant Award</u>	<u>Current Year Grant Receipt</u>	<u>Grant Award Year</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expended</u>
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	\$ 3,054	\$ 3,054	2019	-	\$ 3,054		\$ 3,054	-
		4,321		2018	\$ 4,321			4,321	-
		4,504		2017	4,504			4,504	-
		4,774		2016	4,774			4,774	-
		4,302		2015	4,302			4,302	-
		6,416		Prior Years	785			785	\$ 5,631
1110-448-031020-22	Drunk Driving Enforcement Fund	8,535		2018	4,363		\$ (4,172)	8,535	-
		13,204		2017	9,687			9,687	3,517
		13,134	13,134	2019		13,134		13,134	-
N/A	NJ Historical Commission - Museum	7,566	1,868	2019	-	7,566	7,566	-	7,566
		4,500	1,125	2018	4,500		4,500	-	4,500
N/A	Clean Communities	57,113	57,113	2019	-	57,113	57,113	-	57,113
N/A	NJ Environmental Commission - ANJEC	1,500	1,000	2019	-	1,500	1,500	-	1,500
		800		2016	800		800	-	800
#1022-96-066	NJDEP - Green Acres	500,000		2018	355,937			355,937	144,063
N/A	Body Armor Replacement	5,023	2,593	2019	-	5,023	2,590	2,433	2,590
					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
					<u>\$ 393,973</u>	<u>\$ 87,390</u>	<u>\$ 69,897</u>	<u>\$ 411,466</u>	

Note - This schedule was not subject to an audit in accordance with NJ OMB Circular 15-08

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**TOWNSHIP OF READINGTON  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Township of Readington. The Township is defined in Note 1(A) to the Township's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Township's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Township's financial statements. Financial assistance revenues are reported in the Township's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 3,134	\$ 87,390	\$ 90,524
Total Financial Awards	<u>\$ 3,134</u>	<u>\$ 87,390</u>	<u>\$ 90,524</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Township's fiscal year and grant program year.

**TOWNSHIP OF READINGTON  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2019**

**NOTE 5 STATE LOANS OUTSTANDING**

The Township's state loans outstanding at December 31, 2019, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Incentive	63,975
Summer Road Park	60,659
N.J. Infrastructure:	
Dreahook Road	162,137
2003	56,941
2004	<u>173,638</u>
	<u>\$ 517,350</u>

**TOWNSHIP OF READINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

*Part I – Summary of Auditor’s Results*

**Financial Statements**

Type of auditors' report issued on financial statements	<u>Modified, Unaudited LOSAP Trust Fund</u>		
Internal control over financial reporting:			
1) Material weakness(es) identified	<u>  X  </u> yes	<u>      </u> no	
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u>      </u> yes	<u>      </u> no	<u>  X  </u> none
Noncompliance material to the financial statements noted?	<u>  X  </u> yes	<u>      </u> no	

**TOWNSHIP OF READINGTON  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

*Part II – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

**Finding 2019-001:**

The audit indicated that various purchase orders for goods or services were not encumbered prior to the goods being received, the services being rendered or contracts being awarded. Additionally, certain professional service fees encumbrances outstanding at year end were deemed invalid.

**Criteria or specific requirement:**

N.J.A.C. 5:30-5.2, “Encumbrance Systems”

**Condition:**

See Finding 2019-001.

**Questioned Costs:**

Not Applicable.

**Context:**

- Certain not to exceed unit cost contracts approved by the Governing Body totaling \$1,571,813 were not encumbered at the time of award by governing body.
- Various purchase orders tested indicated goods were received or services rendered prior to the date the purchase order was executed.
- Encumbrances for the estimated amount of certain recurring expenses were not recorded in the Current and Sewer Utility Operating Funds subsequent to the adoption of the budget.
- A certain expenditure in the Current Fund in the amount of \$45,670, was not encumbered at December 31, 2019.

**Effect:**

None.

**Cause:**

Unknown.

**Recommendation:**

Internal controls over the Township’s encumbrance accounting system be reviewed and enhanced.

**Management’s Response:**

Management has reviewed this finding and will undertake corrective action.

**TOWNSHIP OF READINGTON  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2018-001**

The audit indicated that various purchase orders for goods or services were not encumbered prior to the goods or services being received, the services being rendered or contracts being awarded. Additionally, certain professional service fees encumbrances outstanding at year end were deemed invalid.

**Current Status**

See Finding 2019-001.

**TOWNSHIP OF READINGTON  
HUNTERDON COUNTY, NEW JERSEY**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
CURRENT FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,935,000	2.30%	\$ 1,852,000	2.23%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,667,917	4.34%	3,514,059	4.23%
Collection of Delinquent Taxes and Tax Title Liens	565,874	0.67%	569,374	0.69%
Collection of Current Tax Levy	77,519,983	91.93%	76,140,674	91.79%
Other Credits	<u>640,609</u>	<u>0.76%</u>	<u>877,052</u>	<u>1.06%</u>
Total Income	<u>84,329,383</u>	<u>100.00%</u>	<u>82,953,159</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	19,927,975	24.00%	18,943,243	23.43%
County Taxes	12,086,040	14.56%	12,119,027	14.99%
Local School Taxes	31,174,794	37.54%	30,212,810	37.38%
Regional School Taxes	19,277,722	23.22%	19,009,477	23.51%
Municipal Open Space Taxes	524,499	0.63%	522,850	0.65%
Other Expenditures	<u>44,861</u>	<u>0.05%</u>	<u>34,602</u>	<u>0.04%</u>
Total Expenditures	83,035,891	<u>100.00%</u>	80,842,009	<u>100.00%</u>
Less: Expenditures to be Raised by Future Revenue	<u>500,000</u>		<u>-</u>	
Total Adjusted Expenditures	<u>82,535,891</u>		<u>80,842,009</u>	
Excess in Revenue	1,793,492		2,111,150	
Fund Balance, January 1	<u>2,968,929</u>		<u>2,709,779</u>	
	4,762,421		4,820,929	
Less Utilization as Anticipated Revenue	<u>1,935,000</u>		<u>1,852,000</u>	
Fund Balance, December 31	<u>\$ 2,827,421</u>		<u>\$ 2,968,929</u>	

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
SEWER UTILITY OPERATING FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 31,000	1.63%	\$ 74,686	3.99%
Rents	1,507,396	79.18%	1,409,787	75.37%
Miscellaneous	328,421	17.25%	360,621	19.28%
Other Credits	<u>36,954</u>	<u>1.94%</u>	<u>25,507</u>	<u>1.36%</u>
Total Income	<u>1,903,771</u>	<u>100.00%</u>	<u>1,870,601</u>	<u>100.00%</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Operating	1,621,000	92.84%	1,623,296	97.73%
Deferred Charges and Statutory Expenditures		0.00%	8,890	0.54%
Surplus (General Budget)	125,000	7.16%		0.00%
Refund of Sewer Capacity	<u>-</u>	<u>0.00%</u>	<u>28,797</u>	<u>1.73%</u>
Total Expenditures	<u>1,746,000</u>	<u>100.00%</u>	<u>1,660,983</u>	<u>100.00%</u>
Excess in Revenue	157,771		209,618	
Fund Balance, January 1	<u>454,617</u>		<u>494,685</u>	
	612,388		704,303	
Decreased by:				
Utilized by Current Fund Budget			175,000	
Utilized by Sewer Operating Fund Budget	<u>31,000</u>		<u>74,686</u>	
Fund Balance, December 31	<u>\$ 581,388</u>		<u>\$ 454,617</u>	

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**Comparative Schedule Of Tax Rate Information**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.983</u>	<u>\$2.936</u>	<u>\$2.868</u>
Municipal	.572	.562	.553
Municipal Open Space	.020	.020	.020
County	.460	.465	.458
Local School	1.193	1.160	1.122
Regional School	.738	.729	.715

Assessed Valuation

2019	<u>\$2,614,460,071</u>	
2018		<u>\$2,605,464,598</u>
2017		<u>\$2,612,429,913</u>

**Comparison of Levies and Collection Currently**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

December 31 <u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	Percentage of <u>Collection</u>
2019	\$ 78,242,603	\$ 77,519,983	99.08%
2018	76,761,008	76,140,674	99.19%
2017	75,061,553	74,462,784	99.20%

**Delinquent Taxes and Tax Title Liens**

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

December 31 <u>Year</u>	Amount of Delinquent <u>Taxes</u>	Amount of Tax Title <u>Liens</u>	Total <u>Delinquent</u>	Percentage of <u>Tax Levy</u>
2019	\$ 683,881	\$ 117,857	\$ 801,738	1.02%
2018	565,874	114,671	680,545	0.89%
2017	569,374	111,535	680,909	0.91%

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**Comparison of Sewer Utility Levies**

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2019	\$1,495,531	\$1,507,396	100.79%
2018	1,415,844	1,409,787	99.57
2017	1,402,067	1,399,471	99.81

\* Cash collections include prior year balance collected in the current year and prior year overpayments applied.

**Comparative Schedule of Fund Balances**

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2019	\$2,827,421	\$1,897,850
	2018	2,968,929	1,935,000
	2017	2,709,779	1,852,000
	2016	2,654,687	1,756,000
<u>Sewer Utility Operating Fund</u>	2019	\$581,388	\$72,392
	2018	454,617	31,000
	2017	494,685	74,686
	2016	325,019	81,390

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

<u>Name</u>	<u>Title</u>
Betty Ann Fort	Mayor
John Albanese	Deputy Mayor
Benjamin Smith	Township Committee
Juergen Huelsebusch	Township Committee
Jonathan Heller	Township Committee
Vita Mekovetz	Administrator, Clerk, Treasurer, Qualified Purchasing Agent
Thomas Carro	Chief Financial Officer
Michael Balogh	Tax Collector, Sewer Collector, Tax Search Officer
Laura Whitaker	Tax Assessor
Gerard Shamey	Municipal Court Judge
Julie Kosakowski	Municipal Court Administrator
Joseph Greco	Police Chief

All officials and employees handling and collecting Township funds are insured for crime coverages for \$50,000 under the Public Alliance Insurance Coverage Fund Joint Insurance Fund and \$950,000 under the Municipal Excess Liability Joint Insurance Fund (MEL).

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Prior Year Unresolved**

The audit noted that certain bank deposits were not made within 48 hours of receipt. It is recommended that all bank Township deposits be made within 48 hours of receipt.

**Contracts and Agreements Required To Be Advertised For NJS 40a:11-4**

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement".

If the Township's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c. 198 (C.40A:11-9), the Township may establish the bid threshold up to a maximum of \$40,000. The Township's Administrator is qualified and the Township, by resolution, has increased the bid threshold to \$40,000.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

2019 Maintenance and Repair Materials

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**Collection of Interest of Delinquent Taxes and Assessments**

The statute provides the method for authorizing interest and the maximum rate to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 7, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED that pursuant to R.S 54:4-67, the Township Committee of the Township of Readington, County of Hunterdon and State of New Jersey hereby fixes the rate of interest to be charged on delinquent taxes for calendar year 2019 at the rate of eight percent (8%) per annum on the first \$1,500.00 of delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00 of delinquency.

BE IT FURTHER RESOLVED that notwithstanding the above provision, no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same became payable according to the laws in such cases made and provided. If such payment is not made within the ten (10) day grace period, the above rate of interest shall run and accrue from the original due date of such taxes.

BE IT FURTHER RESOLVED that the same interest calculations for delinquent tax collections be applied to sewer utility accounts with the exception that the grace period by thirty (30) days.

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Collection of Interest of Delinquent Taxes and Assessments (Continued)**

BE IT FURTHER RESOLVED that any taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year shall be so charged an additional rate of interest of six percent (6%) against the delinquency.

It appears from an examination of the collector's records that interest on taxes receivable and sewer charges were collected in accordance with the foregoing resolution.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 17, 2019 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certifications were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2019	5
2018	5
2017	5

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

**Suggestions to Management**

The Township should revise the sewer fee ordinance to include the calculation for metered account users.

**TOWNSHIP OF READINGTON  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

It is recommended that:

- \* 1. Internal controls over the Township's encumbrance accounting system be reviewed and enhanced.
- \* 2. All Township bank deposits be made within 48 hours of receipt.

\*\*\*\*\*

**Status of Prior Year's Audit Findings/Recommendations**

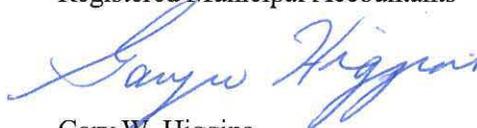
A review was performed on the prior year recommendations and corrective action was taken on all except the recommendations noted with an asterisk (\*) above.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants



Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405